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# USSR Report

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No 6, JUNE 1986

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27 OCTOBER 1986

## USSR REPORT

### WORLD ECONOMY AND INTERNATIONAL RELATIONS

No 6, June 1986

Except where indicated otherwise in the table of contents the following is a complete translation of the Russian-language monthly journal **MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA** published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.

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## ENGLISH SUMMARY OF MAJOR ARTICLES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86  
(signed to press 13 May 86) pp 158-159

[Text] The XX-th century is the age of the unprecedented paradox, when the enormous opportunities of the nuclear energy and the outer space exploitation in the interests of the whole humanity at the same time present the menace to the very possibility of the human existence per se. The nuclear-space age urges the new thinking fully consistent with the new international realities, the article "The Soviet Concept of Comprehensive Security" by V. Petrovsky says. The new concept of justful and secure peace has been adopted in the USSR and is being realized now. The main ideas of this concept were conveyed in the documents of the XXVII-th Congress of the CPSU. This concept embodies the organic junction of theory and practice, policy and ethics, national and humanitarian interests. The Soviet concept rejects the doctrine of the "nuclear intimidation", pursuing the line of the stage by stage nuclear disarmament right to the complete liquidation of nuclear weapons. The main postulate of the Soviet concept is that no country can provide for its security at the expense of the other countries' security. The Soviet concept of comprehensive security cannot be reduced to the philosophy of survival and equal security. It urges countries all over the world to back political declarations by immediate practical moves in order to reverse the negative trends menacing to turn the whole humanity into the hostage of nuclear death. Thus the military security must be supported by measures providing for the political and economic security, for the international cooperation and peaceful co-existence. Today's history regards peace not as a "no war" situation. Real peace implies that in the world no place is left for weapons and violence, that every country could live under secure and justful conditions deciding independently on its fortune. The author highlights the recent Soviet initiatives to implement the program of secure peace.

The Social Democracy occupies a prominent place among the most influential political forces having considerable impact upon the solution of urgent modern problems. The XXVII-th Congress of the CPSU listed the Social Democracy among the political forces whose cooperation is essential for building the comprehensive international security. S. Peregoudov in the article "Social Democracy: Facing the New Problems" dwells upon the contemporary characteristics of Social Democratic movement, traces its evolution, assesses its moves to cope with the challenge of the right Conservative forces. The critical situation of the mid-70's, the accumulation of the crises repercussions have weakened the position of the ruling Social Democratic and Socialist Parties. Under the pressure of the

big business the Social Democratic governments have resorted to the austerity measures thus losing the support of its traditional electorate: workers, employees, engineers. That opened to Conservative forces the way to power. The author investigates the relations of the Social Democracy with trade unions as well as with various democratic movements namely the anti-war movement, the ecological groupings, the movement of "civil initiatives" and others. The author concludes with the analysis of the internal problems of the Social Democracy, examines the balance of rightist, leftist and centrist forces, their social basis and their attitude primarily to the global problem of war and peace. The evolution of the socio-economic and the inner-Party concept is marginal and contradictory according to the author. Nevertheless the Social Democracy is an important force to deal within the struggle for peace and the constructive dialogue between states with different socio-economic systems.

The article "On Either Shore of the Bering Straits" by Gu. Voitilovsky tells about the reasons of the adoption on the 15-th of April, 1926 by the USSR Central Executive Committee (TSIK) of the decree "On declaring the lands and islands situated in the Arctic Ocean the territory of the Union of the Soviet Socialist Republics". The author emphasizes the principal difference distinguishing the consecutive developing of the Northern lands by Russia from that of the episodic visitations of a number of islands undertaken by foreigners. Despite the 60 years term of validity of the indicted decree there appear from time to time publications in the USA, as well as statements of politicians containing claims for several lands and some oceanic spaces in the Arctic and the Pacific Oceans. The author points to the inconsistency of these American claims based on the false premises, on the arbitrary interpretation of the 1867 agreement stating the concession of Alaska. The U.S. claims go beyond the territory stipulated in the 1867 agreement seeking to expand the sphere of the agreement application. According to the author the public opinion of Russia and later on of the Soviet Union always considered and considers the Alaska sale as a doubtful deal, not responding to the state interests.

With the history of 28 years the European Community has become a significant factor of the Western countries economic development. Yu. Shishkov in the article "The European Community at a Turning Point" argues that despite the evident successes in the creation of the common market the EEC evolution testifies to the unavoidable contradictions emerging in the process of the economic integration. The author's reasoning is that the capitalist laws of regional integration have brought the Community to the edge when the imperatives of furthering integration dictate objectively the organizational restructuring. The author surveys the present state of the European integration with an historic overview arriving to the conclusion that the actual challenges of the future United Europe are the repercussions of the contradictory interaction of national, international and supranational approaches, attitudes and objective trends in a number of domains. Given the growing interdependence of national economies the necessity for the closer coordination increases on the ever widening range of problems. The shocks of the 70's made many countries rely mainly on the national devices of the macroeconomic regulation putting aside the regional interests. On the other hand the political "atlantic" imperatives pushed forward the supranational approach. According to the author the centrifugal trends in the Community won't let the member countries go painlessly away to their national residences. The partners are doomed to tolerate the implications of the established connections, to



quarrel and to put up with the unhappy marriage, spending years in the search of meagre compromises.

The innovation policy of the capitalist companies appears to be one of the decisive weapons of the competition. Therefore the technological factor is increasingly a crucial determinant for the long-term corporate economic policy. A. Sterlin in the article "Innovations' Role in the Economic Strategy of the Big Business" states that the innovation management is regarded by the bourgeois theory of management as a target-oriented comprehensive regulation of the corporate activity as a whole. The author takes a managerial microeconomic perspective of analysis and examines the impact of diversification and marketing strategies on the working out of the corporate technological guidelines for the long run. Product innovation comes out as an efficient instrument of adjustment to the highly dynamic economic environment. But the big business guided by profit maximizing sees no particular need to augment R&D expenditures in order to meet the requirements of the consumer. On the contrary the management shows signs of responding to rather risky R&D overtures only if threatened that it'll lose ground in competition. The article is helpful in charting the main types of innovation strategies is well-documented and referenced. The final issue under study is two sets of business tactics--offensive and defensive. The first relates to spurred R&D, market-oriented activity, mergers and acquisitions. The latter stipulates spread of imitations, gaining time and economizing on production costs. The author notes that short-term profit considerations often contradict with long-term technological prospects and corporate growth imperatives. The capitalist techniques targeted to solve this dilemma are efficient but only partially.

A. Granovsky and Gu. Shirokov in the article "India: The Contemporary Stage of the Economic Development" state that during the early 80's the essential shifts have taken place within the system of social reproduction in the country. These drastic changes are incited by the accumulated techno-economic and social discrepancies, social pressures. They are the result of the state economic policy at home and abroad, the consequences of the market forces operation. These shifts must be regarded also in a broader, worldwide context. The main goal of the article is to describe the mechanism of the observed changes, assess the particulars of the contemporary Indian economic growth, to define its place in the process of the postcolonial evolution. During the independence years the development along the capitalist path has speeded on the basis of the crucial reshaping of the colonial economic structure. By the 80's the national system of capitalist reproduction with capital-intensive production has emerged. It produced various disproportions and a dramatic gap between the increase of the economic potentialities and lagging behind employment, between the capitalist sector and the periphery of the traditional production. The regional problems can be added up to this discrepancy between the economic achievements and the social implications. The authors present the abundant data on the macroeconomic performance of India. The relatively lesser degree of India involvement in the international division of labour has smoothed the cyclical and structural shocks. The analysis of the state economic ideology and the practical economic strategy revealed the inclination to the market oriented economy with indirect measures of state regulation.

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## PETROVSKIY OUTLINES SOVIET INTERNATIONAL SECURITY PROPOSALS

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86  
(signed to press 13 May 86) pp 3-13

[Article by V. Petrovskiy: "The Soviet Concept of General Security"]

[Text] Having presented mankind with the potential of controlling the nucleus of the atom and penetrating into outer space, the 20th century will undoubtedly enter history as the beginning of the nuclear and space age. At the same time it will also be recorded by history as the century of an unprecedented paradox connected with the fact that both of these scientific-technological achievements that have unprecedentedly expanded the horizons of progress of the earth's people have also created, at the same time, a mortal threat to the very conditions for their further existence.

Today it is not only the circumstance that the current century is inexorably approaching its end and the dawn of the third millenium is already breaking that represents a compelling reason for reflection on this paradox. Serious reflection is prompted, first and foremost, by the fact that in the first half of the eighties mankind was confronted with an extraordinarily complicated development of the international situation that threatened to grow into an all-annihilating nuclear conflict. The thinking and practice that have been dominant in international relations for centuries are clearly incapable of getting the better of the problems of the contemporary world that is full of contradictions and, at the same time, interdependent especially in the face of the dangers engendered by the nuclear and space age. To ensure today that the unique spaceship, the earth, the common home of all of us, will be able to continue its flight in time and space, politicians and public workers must realize the full extent of the significance of Albert Einstein's statement that contemporary weapons require a new way of thinking if mankind is to survive and continue to develop along an ascending line. It follows from this that, without shutting one's eyes to the continued social, political, and ideological contradictions, it is necessary to master the science and art of acting in the international arena in accordance with new demands, with restraint and circumspection, and to live in a civilized way, that is, under the conditions of correct international contacts and cooperation.

The need for new thinking and for bringing politics into accord with international reality is now recognized by many people. The new way of thinking and conduct in international affairs must be demonstrated in the language of practical politics and in concrete actions of individual states in the world arena.

The Soviet Union has adopted and is implementing a new concept of just and secure peace. It has been presented in a condensed form in the documents of the 27th CPSU Congress and in the Political Report of M.S. Gorbachev, general secretary of the CPSU Central Committee. Theory and practice, politics and morals, and national and general human interests are merged in an indissoluble unity in this concept.

The starting point of this concept is the realization of the fact that, as a result of the effect of new economic and scientific-technological factors, a contradictory world is shaping through the struggle of opposites, a world that is, at the same time, interdependent and, in many respects, integral, a world whose security requires the formation of a reliable security system.

The Soviet leadership proceeds in its approach to security, first and foremost, from the fact that no state whatsoever can entertain the illusion that it is possible to protect itself with military-technological means alone or even by creating ((sozdaniye)) the most powerful defense either on earth or in outer space.

Of course, peace under the present conditions is objectively maintained by the approximate military-strategic equilibrium between the USSR and the United States and between the Warsaw Pact and NATO, but security cannot indefinitely be built on the fear of retribution, that is, on the doctrines of "deterrence" or "intimidation." The present level of the balance of nuclear potentials of the opposing sides is too high and it makes peace fragile and precarious.

It is impossible to agree with the claim that nuclear weapons allegedly represent an irreplaceable guarantor of peace. Like other factors determining the balance, they do fulfill a certain deterrent role under the conditions of equilibrium. But the price for this is a constant and ever increasing danger that the "guarantor" of peace will turn one day into its grave digger.

The doctrines of the "balance of terror" and of "deterrence" [sderzhivaniye], based on the nuclear factor, are essentially aimed at speeding up the arms race and intensifying the danger of nuclear war. Indeed, a close scrutiny of the logic--if I may be permitted to use this term--of these doctrines show that it amounts to a belief that each side should seek its own security by creating its own potential of a first nuclear strike. It turns out then that the more weapons there are and the more probable it is that they will wipe the human race off the face of earth, the more reliable is the security ensured for all and everyone.

In other words, not to mention the absurdity and amorality of this situation in which mankind turns out to be a captive of accident, these doctrine encourage an increase in the arsenals of death. And, as the experience already gained in the nuclear and space age shows, following this logic only increases "equal danger." Suffice it to say that whereas prior to the appearance of nuclear missile weapons entire countries and continents were able to virtually feel secure thanks to the vast ocean spaces surrounding them, today they are all equally threatened with instantaneous annihilation.

The continuation of the arms race and, even more, its extension to outer space will accelerate an already high and critical rate of stockpiling and perfecting of nuclear weapons. And in this connection the limits may be reached at which even parity will cease to be a factor of military-political deterrence. And the creation ((sozdaniye)) and stationing of weapons in outer space will definitely lead to deepening and not to solving this problem. The "star wars" program most certainly does not represent an alternative to the nuclear threat but a powerful factor of its intensification.

By engendering among adventurist circles the illusion of being able to carry out the first nuclear strike with impunity, the space-based weapons would undermine the basis of military-political deterrence. No matter how the "star wars" program may be camouflaged by its "defensive" orientation, it still represents at a minimum a "double" of nuclear weapons. The space-based weapons would not simply complement the land-based offensive nuclear potentials. In time, as they are developed ((razvitiye)) and perfected, they would themselves acquire the capability of inflicting the first strike aimed not only against the targets in outer space and in the atmosphere but also on land.

This would also be connected with a qualitatively new leap in the arms race, a leap that would inevitably lead to disappearance of the very concept of strategic stability, the basis of preservation of peace in the nuclear and space age. A situation would be created in which decisions, irreversible in their possible consequences, would be made essentially by electronic machines without any participation of human mind or political will and without any consideration for moral and ethical criteria. Such a development of events could lead to a general catastrophe even if the initial impulse were provided by an error, miscalculation, or technical defect of the extremely complex computer systems.

Any use of nuclear weapons will only result in a radioactive grave and not in victory over the ideological adversary, the capture of sources of raw materials, markets, or foreign lands, or the rapid increase of profits of the military-industrial complex. As Professor J. Galbraith has accurately noted, if the irreparable happens, it will not be possible to distinguish the ashes of socialism from the ashes of capitalism. The "day after" may not dawn for any of the social systems.

The following conclusion of prominent military specialists, the authors of the book "Generals Against Arms Upgrading," who have called for the renunciation of actions "based on the old mad notion of security being attainable by means of military superiority," has a weighty sound in this connection: "Anyone who understands the laws of contemporary war as we do," they point out, "is convinced that victory is impossible in such a war." Under the present conditions, following the notion that the way to security only leads through an increase in armaments can only ensure "zero security," that is, total self-annihilation for the entire world. Today security has become a political problem that can and must be solved only by political means.

Essentially, this is also applicable to solving the question of the moral aspects of this policy. The creation ((sozdaniye)) of and increase in new weapons, let alone their use, cannot be justified by any moral-ethical norms.

In our period the cult of force, the cult of arms represents a fatally dangerous atavism of militarist thinking. This thinking, the "militarist civilization" in the nuclear and space age--these very combinations of words represent a challenge to logic and ethics. For, what is involved are mutually exclusive and irreconcilable concepts. And, vice versa, militarism is a "black hole" that threatens to swallow the planet of man and plunge it into nonexistence. All the forces of self-preservation, creative genius, will, and morality of man must be mobilized to prevent this. This is the highest moral norm which the next century must inherit from the present one.

To ensure security it is necessary to renounce war and stop the increase of weapons of destruction. It is already impossible to win the arms race or a nuclear war itself, and objectively these cannot bring any political gains to anyone.

Furthermore, in determining the parameters of security, it is also necessary to consider the fact that, in view of the existence of nuclear weapons, the realities of the integral and mutually interdependent world in which we live are perceived, first and foremost, at an apparent negative level, that is, in the form of a general threat to all and everyone living on earth. The global nature of this threat is capaciously expressed by concepts that have become current in international use recently such as "nuclear winter" and "nuclear night," that is, the phenomena that threaten our entire planet. The integral nature and mutual interdependence of the world determine the integral nature and mutual interdependence of security and make it urgently necessary to consider it in its universal nature.

This means that no country can any longer count on ensuring only its own security at the expense of the security of others. The security of the USSR and the United States and of the Warsaw Pact and NATO countries is tied by a single thread, the very thread by which life on earth is hanging today. It is impossible to break it without destroying oneself. Refusing to undermine the other side's security is the imperative of survival.

This is really a new and essentially important element that is of revolutionary significance for political thinking. The Soviet Union fully recognizes it. It would not want any change to its own advantage in the strategic balance because such a situation would intensify the suspicions of the other side and increase the instability of general situation. Preserving the adversary's feeling of security is as important as maintaining one's own security.

Mutual interdependence in the sphere of security also signifies another exceptionally important circumstance, that is, the impermissibility for anyone to set national security or security of a coalition against international security. All these concepts have become organically interconnected. In other words, both national security and security of a coalition become fictions if they do not fall within the framework of genuine general security.

The wisdom in the nuclear and space age is the wisdom of considering as paramount not only the concern for one's own security but also the concern for the security of all. It is necessary to rise precisely to this level of theoretical generalization if we really aspire to securely enter the coming third millennium.



It is appropriate in this connection to cite the following conclusion of the commission named for Olof Palme to whom we cannot but pay a tribute of respect and remembrance: "Countries must realize that in the nuclear age states cannot ensure their own security at the expense of each other. Only joint efforts and the policy of mutual restraint of states can enable the people of the entire world to live without fear of wars and destruction, to live with hope for a secure future and prosperity for their children and for future generations."

Whereas at the international level it is a question of general security, as far as the USSR and the United States, as the two biggest powers, are concerned, it can only be a question of mutual security. The common truth must be the understanding that the security of each of them cannot be divided by giving more to one side and less to the other side. Mutual security implies mutuality both in obligations and in advantages.

At the practical level the principle of equality and identical security signifies in particular that any agreement on arms limitations and on disarmament must be strictly balanced and must be implemented in equal proportional parts in a way ensuring that at any stage of reduction of the level of military confrontation none of the sides gains any military advantage and that factual military-strategic equality and approximate parity are ensured while taking into account the geographical positions and the specific historical characteristics of the development of the military potentials of the two powers. This is a genuinely realistic basis. It was precisely on this basis that it was possible to achieve a number of bilateral strategic arms limitations agreements in the seventies.

It can be noted with satisfaction that equal security is being recognized more and more widely in various countries of the world, regardless of their political or ideological orientations, as the only way of survival in the nuclear and space age. Thus, the heads of state of the "Delhi Six" stated in one of their recent appeals: "We all live facing the terrifying possibility of our death in nuclear flames started either by accident or by evil design. Precisely for this reason we consider it our duty to do everything in our power to avert this threat and create a new concept of general security without nuclear weapons."

## II

The present Soviet concept of general security is not limited to the philosophy of survival and equal security. It proceeds from the need to immediately back political goals by the practical actions of states and by the activities of all social forces. The 27th congress' instructions for the Soviet Union's foreign policy are that this policy should seek, find, and use any, even the smallest chance to break--while it is still possible--the trend of increasing the military threat and replace the old order of things under which mankind is held hostage to nuclear death with the development of close and productive cooperation with the governments, parties, and social movements which are really concerned over the fate of peace on earth, and with all peoples in order to create a comprehensive system of international security.

The "Fundamental Principles" of such a system formulated by the 27th CPSU Congress represent a concretization of the new political thinking which the Soviet Union proposes to all of its partners in the international arena to adopt



and to enter the 21st century with this thinking. The "Fundamental Principles" point out the shortest reliable way to solving the cardinal problems of peace and, first and foremost, such problems as those of preventing a thermonuclear war, of disarmament, and of ensuring equal security for all states. The "Fundamental Principles" represent a practical implementation of our concept of an integral and, in many respects, interdependent world. The "Fundamental Principles" represent a program that is truly global and comprehensive both in its geographical scope and in the range of the problems with which it deals. In its generalized and, at the same time, very concrete form it takes into account the fundamental interests of all states and people--big and small, nuclear and non-nuclear, developed and developing.

The principal novelty in the formulation of the question of formation of a security system in the nuclear and space age is expressed, first and foremost, in the comprehensive approach to international relations. Whereas earlier security was mainly reduced only to military and political spheres, it is now also connected with the restructuring of interaction between states in other spheres, such as, for instance, the economic and humanitarian spheres. In the world of our time with its extraordinarily complex interweaving of various interconnections, the system of general security presupposes, first and foremost, the renunciation by nuclear powers of all wars--nuclear or conventional--against one another or against third countries; the cessation of all nuclear weapons tests and the complete liquidation of nuclear weapons by the end of the century; the banning and annihilation of chemical weapons; and the renunciation of development of other weapons of mass extermination. Furthermore, it must include a strictly controlled reduction of the level of military potentials of states within the limits of reasonable sufficiency, the dissolution of military groupings (and, as a step toward this, renunciation of expanding the existing ones or forming new ones), and the proportional and commensurate reductions of military budgets.

Considering the political aspect of such a system of international security, the system presupposes: absolute respect in international practice for the right of every people to sovereignly choose the ways and forms of its development; ensuring just political settlements of international crises and regional conflicts as well as the elaboration of a complex of measures aimed at strengthening confidence among states and creating effective guarantees against external attacks on them; and the inviolability of their borders. A most important principle of the security system would also be the elaboration of effective methods of preventing international terrorism, including measures of safety in the use of international land, air, and sea communications.

A comprehensive system of international security naturally also signifies the observance of the universally recognized principles in the economic sphere. For instance, the establishment of the new international economic system guaranteeing equal economic security for all states should have an essential role in this connection. International economic security can become a reliable fulcrum of general security along with disarmament.

The foundations of security must also be strengthened in the humanitarian sphere, including by means of cooperation in spreading the ideas of peace and disarmament. In particular, it is necessary to eradicate genocide and racial

discrimination and broaden cooperation in the implementation of human rights while respecting the laws of each individual country.

The concept of a comprehensive security system advanced by the Soviet Union is profoundly humanist in its nature. Its goal is not to "make" mankind "happy" by imposing on it a utopian scheme but to embody in life the fundamental interests of all peoples of our planet and to achieve peaceful coexistence as the universal principle of interstate relations. It follows from this that the concern for the survival of the human race is above national egoisms and interests and above differences in ideologies and world outlooks. Interstate relations can only be realized along the course of peaceful competition and cooperation and ideological contradictions must be taken out of this sphere. In the nuclear and space age there is no other possibility for the development of fruitful relations between states.

History has placed before mankind the question of peace not simply as a question of absence of war but as a question of a world without weapons and violence in which every people would live under just and secure conditions and freely determine its own fate. This is why it is vitally necessary to create a comprehensive security system that would not only make it possible to avoid wars, both nuclear and conventional, but also to eliminate in general the threat of direct or indirect violence on global or regional scales in the military and political as well in the economic or humanitarian spheres.

### III

To ensure that the system of general security will function effectively it is necessary to provide a reliable structure of guarantees which would withstand any changes in the international climate and ensure the confidence that peaceful coexistence will continue to stand as the highest principle of interstate relations under any and all circumstances.

Direct guarantees that weapons and, first and foremost, nuclear weapons will not be used must provide the supporting fulcrum of the entire security structure. Thus, disarmament assumes decisive importance. Direct guarantees are provided by concrete actions for the elimination of the threat of war, for the limitation of arms and for disarmament, and for peaceful settlements and prevention of international conflicts. The progress toward disarmament, it is noted in the UN research on interconnections between disarmament and international security, will strengthen international security by creating the conditions that will enable the UN member-states to take steps to reduce tension, to settle disputes by peaceful means, and to become engaged in joint actions aimed at preventing wars from breaking out. By reducing and, in the final analysis, liquidating the material basis for waging wars, disarmament would help create a situation in which, instead of counting on the possibility of the use of force for ensuring their security, states would employ exclusively peaceful means to solve their problems and disputes. Thus, the UN experts conclude, disarmament represents the main and the most important factor in the cause of strengthening international security.

It is theoretically and practically incorrect to counterpose disarmament to another direct guarantee of security, that is, the settlement of conflicts. Such an approach shows an unwillingness to provide both the former and the latter

guarantees, in other words, it shows a reliance on weapons and military force in relations with other countries. It is perfectly obvious that ensuring international law and order and liquidating regional conflicts on just principles--and the sooner the better--would really help to make progress in the cause of limiting and reducing arms.

The same dialectical connection exists between the problems of disarmament and confidence. Essentially, these are two parallel processes. The former prevents military preparations and acts as a direct material guarantee of security. The latter influences the international political atmosphere and helps reduce the danger of war. On the whole, disarmament and confidence mutually support one another and act as guarantors of security.

The measures aimed at bringing the structure of international economic relations into accord with the requirements of general security also have an especially significant place among the guarantees that create the conditions which, if they do not exclude, they in any case hinder to a maximum extent the use of force by one state against another. The formation of a system of economic security is inseparable from actions aimed at eliminating violence, threats, diktats, and discrimination from international relations.

The legal formulation of guarantees is of great importance from the viewpoint of establishing a system of guarantees. In this connection two types of guarantees, that is, political and international law guarantees stand out. In the case of the former it is a question of the obligations assumed by states under documents that set forth the political intentions of states (the documents such as the Final Act of the All-European Conference and the final documents of special sessions of the UN General Assembly on disarmament) and in the case of the latter it is a question of obligations incorporated in the documents of a juridically mandatory nature (for instance, the UN Charter). The norms and principles of contemporary international law act as the normative guarantees of security. Despite all their differences, both types of guarantees represent two sides of the same coin, that is, of the complex of political and legal guarantees. In this connection it is especially important to emphasize the need for all states to most strictly and scrupulously fulfill their assumed obligations and to strictly adhere to the spirit and letter of international agreements.

A reliable system of general security is impossible without a proper moral and psychological atmosphere, without educating the peoples in the spirit of peace, tolerance, and mutual respect, and without introducing everywhere the political mentality that makes the cultivation of militarism, hatred, and violence impossible.

#### IV

The human intellect and the enormous potential of peace existing on the planet today are capable of finding the right itinerary and provide the impulse to progress along the road to secure peace. This is the road of detente. The true substance of detente lies in the elimination of dangerous tension, the renunciation of reliance on the methods of force in the conduct of international affairs, and the recognition of the legitimate rights and interests of partners in international contacts.



Detente is not a goal unto itself and it is not a static but a dynamic phenomenon and process, and cooperation in all spheres of relations expands and is filled with ever new content as this process continues to deepen. The code of its principles is set forth in the Helsinki Final Act signed by the European states and the United States and Canada, and it is also contained in the declaration of the UN General Assembly on deepening and consolidating the relaxation of international tension which was adopted by all member-states in 1977.

On 15 January 1986 the Soviet Union set forth a program of general security. The liquidation of nuclear weapons by stages everywhere and forever by 2000, in conjunction with an effective prohibition of space-based strike weapons, represents the central element of this plan. In this formulation of the question the liquidation of nuclear weapons appears not as a utopia but as a completely realistic schedule of clearly outlined measures calculated for an historically short term of 15 years.

The attitude toward this problem is most openly revealed in connection with the question of nuclear explosions. Refraining from conducting these explosions means putting an end to perfecting nuclear weapons and to creating new types of nuclear weapons, and then starting to make practical progress toward liquidating nuclear arsenals.

The Soviet Union defends the course of maximal speed in working out an international agreement on the complete ending of nuclear tests and of using for this purpose any mechanism of negotiations, be it the mechanism of bilateral Soviet-American negotiations, of trilateral negotiations with the participation of the USSR, the United States, and Great Britain or of multilateral negotiations within the Conference on Disarmament. What is involved in this connection is an agreement involving strict and reliable verification ((kontrol)), including on-site inspection ((inspektsiya na mestakh)) and the utilization of all achievements of seismology. It would be absurd to get bogged down in disputes about what must be considered first, verification ((kontrol)) or the prohibition of tests itself. It is obvious that it is necessary to advance along all directions.

An accord on the complete reciprocal liquidation of the Soviet and U.S. medium-range missiles in the European zone could represent a most important step as early as in the immediate future. The Soviet Union proposes not to deploy them in other regions but to physically destroy them. As far as the nuclear forces of Britain and France are concerned, not counting their nuclear arms represents a compromise version. At the same time it is impossible not to see that the further quantitative increase and modernization of these armaments would be contrary to the task of lowering the level of nuclear confrontation.

The Soviet program of general security through disarmament goes far beyond the idea of a nuclear-free world. It envisages the prohibition and liquidation of chemical weapons. And it envisages not only the elimination of these weapons but also the liquidation of the industrial base for their manufacture. Just as in relation to nuclear weapons, it is proposed to solve the question of chemical weapons within a historically short period, that is, by the end of this century. The Soviet Union raises the question of completing in the next year or two agreement ((soglasovaniye)) on an international convention on the total prohibition and destruction of chemical weapons, a convention that would lend itself to

monitoring ((proverka)). The Soviet Union meets its partners in negotiations halfway precisely in the spheres where serious differences exist concerning the deadlines for announcing the locations of installations for the production of chemical weapons as well as concerning the verification ((kontrol)) of their closure and liquidation.

According to the Soviet security program, the liquidation of nuclear and chemical weapons must be accompanied by corresponding stabilizing reductions of conventional weapons.

The USSR's new proposals in the sphere of prohibition of chemical weapons were set forth at the Geneva Conference on Disarmament on 22 April 1986. The essence of these proposals is:

The destruction of the stocks of chemical weapons would be commenced by every participant state no later than 6 months and would be completed no later than 10 years after the convention comes into effect;

thirty days after the convention comes into effect the participating states would issue official declarations that they have (or had) such production installations in their territories, and on the quantity of these installations regardless in whose ownership (state or private) these installations are (or were) and regardless on whose orders they have been built and are operated (were operated) for the purpose of producing chemical weapons, and they would declare the exact location of every such installation;

the destruction or dismantling of installations for the production of chemical weapons would start not later than 1 year after the convention comes into effect;

every participant state, immediately after the convention comes into effect, would halt all activity at installations for the production of chemical weapons, except the activity necessary for their closure, and would issue an official declaration on this action not later than 30 days after the convention comes into effect;

during the 3-month period after the convention comes into effect, every participant state would take national measures to ensure the non-operation (that is, the closure) of these installations taking into account their separate or their combined location with other production installations;

the procedures for destroying or dismantling the appropriate installations would be worked out by taking into account their character and specific peculiarities;

the destruction of installations for the production of chemical weapons would imply the physical destruction of all technological equipment for the last stage of synthesis of highly toxic lethal chemical agents and of the special equipment for filling chemical ammunition. The process of dismantling these installations would involve working out the main assembly units of equipment and their mandatory destruction. Some types of equipment could be used in other chemical production operations under the conditions of strict guarantees that they are not used for prohibited purposes;



the cessation of operations of installations for weapons production, including private enterprises and transnational corporations, would be ensured by strict verification ((kontrol)), including systematic international on-site verification ((proverka));

systematic international verifications ((proverka)) with the presence of inspectors would be conducted in connection with the destruction and dismantling of installations for the production of chemical weapons; and

the observance of the convention would be ensured both in relation to the state and to private enterprises and the use of commercial chemical production operations for the production of chemical weapons would also not be allowed.

Striving to achieve real progress in the sphere of conventional weapons, the Soviet Union has taken a new initiative. Speaking at the 11th SED Congress, M.S. Gorbachev proposed to come to an agreement on a significant reduction of all components of ground forces and tactical air forces of the European states as well as of the corresponding forces of the United States and Canada which are stationed in Europe and, as the Soviet leader pointed out, the geographical zone of this reduction obviously must be the entire European territory from the Atlantic to the Urals.

Each of the concrete actions proposed by the Soviet Union for limiting the arms race must be accompanied by verification ((kontrol)) measures, including--in necessary cases--on-site inspection ((inspektsiya na mestakh)). It is intended that the verification ((kontrol)) will be sufficient to ensure compliance with agreements by all sides.

Naturally, the disarmament process will inevitably result in releasing material and intellectual resources for constructive purposes. The existing order of things--armaments instead of development--must be replaced by a new order of things--disarmament for development. It is essential that every concrete action of materially narrowing or limiting the sphere of military preparations, including especially those connected with nuclear weapons, be accompanied by allotment of material resources for constructive purposes, including aid to developing countries.

Arms limitation and disarmament represent the main areas for laying the foundations of general security. However, these areas are far from exhausting all highways on the map of roads leading to secure peace. Progress in the political, economic, and humanitarian spheres acquires paramount significance in this connection.

For instance, the development of large-scale cooperation in the conquest and exploration of outer space for peaceful purposes for the benefit of all peoples could become the most promising sphere. Such cooperation would represent the real alternative to a new twist in the arms race connected with its extension to outer space. Approaching the frontier of the third millennium, mankind is able to undertake major projects in such cooperation, including the projects of joint creation ((sozdaniye)) and application of advanced space technology in the interests of science, production, and economic development. This would signify an efficient utilization of the resources and potentials of all countries and of all mankind.

The creation of secure peace is unthinkable without broad and constructive interaction of states and without coordination of their positions and actions for the purpose of achieving their common goals. All international organizations and negotiation mechanisms must be enlisted for accomplishing this task, taking into account, of course, the specific nature of their activities. The creation of comprehensive security requires the maximal utilization and--wherever and whenever necessary--the creation of new international mechanisms and institutions that would make it possible to find the optimal correlation between the national and state interests and the general interests of mankind.

Such a universal organ of multilateral cooperation as the United Nations, whose goals and tasks, as defined by its Charter and the UN decisions adopted on its basis, are essentially also the goals and tasks of progress to a just and secure peace, acquires a special significance within the system of international organizations.

It is necessary to fully utilize and obtain full returns from the entire potential and authority of the United Nations to enable the peoples to enter the third millennium as truly united nations. As the center of coordination of actions of states, the United Nations is called upon to actively participate in the formation of a comprehensive system of international security. In addition to this, it is also a ready-made instrument of maintaining peace. The Security Council has the right to take decisions that are mandatory for all states and, especially important, also the right to take the appropriate concrete actions to maintain and store peace.

The United Nations was founded in the prenuclear era. The world has passed through major changes since then. Of course, these changes cannot but be reflected in the United Nations. It is obvious that, as the process of democratization of international relations and creation of a comprehensive security system advances further, the United Nations will also continue to be perfected. The appearance of a world free from nuclear weapons will also make new claims on it. However, one thing is beyond all dispute: In the long term the role of the United Nations as the political guarantor of general security will grow more and more.

Raising the coefficient of the useful effect of the existing mechanism of negotiations on the limitation and reduction of arms assumes an extraordinary importance in the process of formation of secure peace. What is needed are active efforts to give a fresh impulse to the Geneva negotiations between the USSR and the United States on nuclear and space weapons, to the Disarmament Conference, also working in Geneva, to the Stockholm conference, and to the Vienna negotiations. The goal of all of these forums is to curtail the arms race and strengthen confidence between states. The approach to these negotiations, just as the approach to all international affairs as a whole, must combine firmness in defending the principles and interests of general security with readiness for mutually acceptable compromises and for searching for the balance of interests. Orientation to dialogue and mutual understanding and not to confrontation is required.

The nuclear powers that are moreover also permanent members of the Security Council have a special responsibility for the world situation. Precisely they

must demonstrate political will and take concrete actions to halt the material preparations for nuclear war and ensure the reduction of nuclear potentials by stages to zero. The Soviet proposal to leaders of other nuclear powers to gather at the round table also proceeds from this. Serious steps on the road to secure peace could result from such a meeting.

Of course, in considering the problem of creation of a comprehensive system of international security, it is necessary to take into account the state and future prospects of relations between the two greatest powers, the USSR and the United States. Although in the contemporary mutually interdependent world it is wrong to view world politics only through the prism of Soviet-American relations, the significance of these relations for the preservation of peace must not be underestimated. The differences in social systems and ideologies should not lead to tension between the USSR and the United States. Objective prerequisites exist for arranging fruitful and mutually beneficial Soviet-American cooperation in various spheres. The policies of both powers must be oriented to mutual understanding and not to animosity.

Mutual restraint and a genuinely civilized approach to the most acute political problems of the world are needed here. But for the time being the U.S. Administration's actions in the international arena--the brigand-like attack on Libya, the intensification of threats against Nicaragua, and the stubborn continuation of nuclear tests--unambiguously attest to Washington's attachment to the militarist and aggressive course. As M.S. Gorbachev has pointed out in this connection, "these actions also directly harm the dialogue between the USSR and the United States and between the East and West as a whole. And this should not be made to appear as though it were supposedly unknown to the American Administration that Soviet-American relations cannot develop independently of the way the United States conducts itself in the international arena and of the situation that results from this conduct."

The creation of a comprehensive system of international security requires the united efforts of states and peoples. There should be no detached observers in this task.

In the contemporary conditions the time allowed for the search for political accords has been sharply reduced and there is a crying need for quicker constructive actions.

The necessary prerequisites, considerable positive experience, and the mechanism of international interaction are all there to start the progress toward secure peace already today. What is all the more needed then are the political will of participants in international contacts, the demonstration of a sense of responsibility by the leaders of states, and the overcoming of inertia, routine attitudes, and obsolete approaches and stereotypes which are still proving themselves among some people to be stronger than steel.

The human factor of world politics acquires an extraordinary significance in the present tense situation. It is necessary to recognize the new realities and bring the political thinking and actions in the international arena into accord with them. Undertaking together the task of forming a comprehensive system of international security--this is the imperative of the contemporary period.

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## PROBLEMS, SUCCESSES OF WEST EUROPEAN SOCIAL DEMOCRATS VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86 (signed to press 13 May 86) pp 16-30

[Article by S. Peregudov: "Social Democracy Confronted by New Problems"]

[Text] Among the influential political forces of the present day having an impact on the solution of urgent problems of world development a prominent place is occupied by social democracy. At the 27th CPSU Congress it was named as being among the forces on the paths of cooperation with which it is necessary to strive for the creation of an all-embracing system of international security. At the same time profound ideological disagreements between communists and social democrats and the dissimilarity and nonequivalence of their experience and achievements were noted.

The evaluations and directions provided by the congress prompt a more attentive look at the processes under way in contemporary social democracy and the dissimilar, contradictory evolution which it is experiencing in endeavoring to preserve and strengthen its influence in the masses and respond to the challenge being thrown down by the rightwing conservative forces.

Representing an influential political factor in many countries, social democracy has a pronounced impact on the general, global correlation of forces also. The direction in which the ideological-political principles of the socialist and social democratic parties evolve is of considerable significance for the formulation of the long-term strategy of the organized workers movement for the purpose of countering the continuously increasing offensive of monopoly capital against the rights and gains of the working people and organizing a repulse of the attacks of extreme reaction.

Particular meaning is attached to all this at the truly critical moment which mankind is experiencing today, when international tension and the threat of a general nuclear catastrophe have reached exceptionally dangerous limits and when the forces of imperialist reaction aspire to social revanche on a world scale.

From this viewpoint the CPSU, as the CPSU Central Committee Political Report to the 27th party congress observed, also sees its relations with social democracy, bearing in mind that "an impartial familiarization with one another's positions and views is undoubtedly useful both for communists and social democrats, useful primarily for stimulation of the struggle for peace and international security."



# I

Capitalism's embarkation as of the mid-1970's upon a period of protracted economic difficulties and the stimulation of rightwing conservative forces have complicated the conditions of the activity of Western social democracy.

Although throughout the postwar period the Western countries' social democratic and socialist parties repeatedly found themselves in a difficult situation, experienced at times a quite abrupt decline in popularity and were defeated at elections, such setbacks were more of an episodic nature and did not disturb the relative balance between them and the rival bourgeois parties.

The situation began to change abruptly when, under the conditions of the crisis situation of the mid-1970's, the ruling social democratic and socialist parties, succumbing to the pressure of big capital, began increasingly persistently to resort to "austerity" methods and step up the pressure on the working people. Simultaneously the discrepancy between the changed socioeconomic reality and the stereotypes of reformist thinking were becoming increasingly obvious. All this brought about the electorate's disenchantment with the said parties and contributed in certain countries to the breakthrough to power of neoconservatives and also to a general strengthening of the political influence of forces of the right.

Particular significance was attached to the weakening of support for the social democrats and socialists on the part of the electorate--workers, ordinary employees and engineering-technical personnel, on whom their main influence is based.

Palpable losses among voters were sustained by the social democrats also among persons of nonphysical labor or white-collar workers, an increasingly significant proportion of whom is merging with the working class.

The success of the neoconservative tactics of enticement of a proportion of the working class was brought about not only by the weakening of the reformist potential of social democracy but also by the fact that the white-collar workers and workers of the new science-intensive sectors and the service sphere who replenished the ranks of the working class in the postwar period had not attended the school of class confrontation which its traditional nucleus had to its credit. Sharing at every step the mentality of the "middle classes," in the political plane also they identify themselves to a considerably lesser extent with the working class (despite the long-term trend toward more active participation in the worker and trade union movement).

The said changes in the relations of the working class and social democracy testified to the disturbance of the balance whereby the latter had enjoyed in the majority of Western countries the relatively stable support of a significant and, in a whole number of cases, preponderant proportion of the working class. Its "natural" alliance with social democracy proved to have been weakened or disrupted in many cases, and the support, on its part, was no longer as strong and unconditional as before. At times when the popularity of the social democrats among the working people grows, the "ceiling" of trust in them may rise higher even than before. A graphic example of this is the French and Spanish experience of the start of the 1980's. However, under



conditions of a decline in popularity the lower limit of this trust may drop to critical readings, and the threat of a disturbance of the evolved correlation of political forces (as, for example, in Great Britain in the same years and in France in the mid-1980's) arises.

Mobilization of the existing "potential support" now is a more difficult task than it was in the 1950's and 1960's. And this is a manifestation of the growth of the role of the subjective factor in politics and the capacity for and ability to ensure ideological-political superiority in the interparty struggle and the increased "stakes" in the ideological confrontation between the reformist and neoconservative currents.

Endeavoring to lessen if only to a certain extent the negative consequences of the increased instability of the traditional base, the social democratic and socialist parties are increasing efforts to enlist on their side the intelligentsia and middle strata, the more so in that a significant proportion thereof is displaying a growing interest in social democracy. The persevering attempts of its leaders in this direction are explained not least by an endeavor to impart to their parties the character of "national," "supraclass" parties and at the same time to "balance" the influence exerted on them by the working class and unions.

The aggregate effect of the said factors is leading to a pronounced, albeit far from uniform, growth of the influence of social democracy on the middle strata--it has not managed to enlist on its side more than 20-40 percent of them. Inasmuch as the relative significance of the middle strata in the gainfully employed population is far less than the proletarian workers strata the correlation between these two social categories in the total electorate of social democracy is distinguished by the considerable, frequently manifold, preponderance of the latter.

All this is yet further confirmation of the key role which the proletarian workers strata perform in the social democratic movement and their irreplaceability as the social support of this movement.

At the same time some of them have begun to lose their traditional appearance of "workers" parties as a result of the renewal of the membership and the party leadership which occurred throughout the 1950's-1970's in a number of parties predominantly thanks to the middle strata and, particularly, persons of mental labor.

A kind of extreme example of a party lacking direct ties to the workers movement and oriented predominantly toward the liberal factions of the middle strata is Great Britain's Social Democratic Party (SDP), which was formed in 1981.

One is struck by the fact that the said process, although having been observed practically everywhere, has gone the furthest in parties which are not among the biggest. As far as the big parties traditionally obtaining 30 to 50 percent of the vote cast at elections are concerned, their very existence in this "right category" is inconceivable without the retention of close ties to the working class and the organized workers movement. This is beginning to be understood by even the most rightwing social democratic leaders.

It is no accident that the once fashionable proposition concerning the need for social democrats to stick predominantly to an orientation toward the "intermediate" social and political forces (which was justified by the no less fashionable "theory" concerning the "disappearance" of the working class and its absorption by the "middle class") has given way to a policy of strengthening contacts with workers of both physical and nonphysical labor and the organized workers movement. As L. Whitty (of a left-of-center persuasion), new general secretary of Great Britain's Labor Party, declared in one of his first interviews, without ties to the unions the Labor Party "would become just another elitist party" (meaning the SDP--S.P.).\*

Measures to strengthen ties to the working class and the workers movement are being undertaken by West German social democrats also. The SPD congress in 1982 dealt with an enhancement of the role of party functionaries and activists working at the enterprises and the need for closer contacts with the unions.\*\*

A policy of close interaction with the workers and union movement continues to be pursued by Austria's socialists and the social democrats of Scandinavian countries. This has essentially become the predominant tactic in social democracy. It is distinguished by purely reformist, class collaborationist principles, which are being taken as the basis for cooperation. Another singularity ensuing thence is inconsistency, particularly in periods when the parties are in office, when close relations with the workers and union movement are frequently sacrificed to an aspiration to consensus with the ruling class and the technocratic factions of the middle strata.

The efforts being made by parties of a social democratic persuasion, as, equally, the negative consequences of the neoconservative course for the working class and its organizations, which are becoming increasingly obvious, have contributed to the return to the social democrats in the mid-1980's of some of the voters who had "betrayed" them. This is occurring in the FRG, Great Britain, the Scandinavian countries, Australia, New Zealand and a number of other countries. It was with good reason that even the influential British bourgeois weekly THE ECONOMIST was forced at the end of 1985 to acknowledge that the "phase of depression" which Western social democracy had experienced in the past decade was over.

However, the problem of consolidation of the social democrats' ties to the mass categories of working people has by no means been removed. First, far from all the voters who are returning to it are its firm supporters. Second, this very process is developing slowly. A considerable proportion of working people, particularly from the above-mentioned relatively new detachments, remains in the sphere of influence of the conservatives. Even if in the immediate future a substantial proportion of voters leaves the conservatives, this will not mean that they will immediately switch to the social democrats. Attempts are being made to intercept them by the political center, which it in certain cases is doing, not without success, moreover.

\* See TRIBUNE, 7 June 1985, p 7.

\*\* "Die Neue Gesellschaft," May 1982, p 412.

The increased attention to the problem of cooperation with the working class and the organized workers movement does not mean that the social democrats have abandoned the concept of "national," "popular" parties. These terms are frequently so broadly understood that they practically incorporate all social forces of bourgeois society. Particular significance, however, is attached, as before, to the new middle strata and the intelligentsia, and this is being reflected in a further growth of their influence in the local party organizations and among the activists and leadership of the parties.

The contradictoriness and inconsistency of the social orientation of social democracy and its attempts to include in the orbit of its influence as wide a spectrum of the electorate as possible are causing the limited, frequently short-term effect of the efforts which it makes, which are not producing a cardinal solution of the problem of mass support, which has intensified as of the end of the 1970's.

## II

The complexity and ambiguity of the changes in social democracy's social relations are also logically continued at the level of its contacts with the mass movements and organizations, in which pronounced changes are being observed also.

Throughout the greater part of the last decade relations with the unions were characterized by a pronounced cooling, which often led to a weakening of the ties which had existed previously. Even where there was a certain rapprochement, as in France and Spain, for example, it was of a limited nature and more at the leadership level than at the local level.

Under the conditions of mass unemployment weakening class solidarity and at times a quite significant reduction in the numbers of the unions and the concentration of efforts on predominantly economic, defensive actions, a skeptical attitude therein toward ties to parties and politics in general increased and sectarian, separatist moods grew. However, by the mid-1980's a turning point was reached and there was a marked increase in the unions' interest in political actions and closer cooperation with the parties of the working class, not least with social democracy.

Considerable impetus is being imparted to this politicization by the militant spirit which has recently been manifested increasingly decisively in the workers and union movement of a number of Western countries. Its exponents are primarily the categories of the working class which are suffering the most from the consequences of the stagnation in the economy and the structural crisis and the austere socioeconomic policy of the ruling circles. The most purposeful participant in the resistance to this policy is the younger generation of union activists distinguished by class irreconcilability and a readiness for self-sacrifice and establishing a new style of economic and political struggle.

The clearest, perhaps, although not the sole, example of militancy was demonstrated by the 1984-1985 British miners' strike. It was thanks to the support among the striking masses for the resolute position of the strike

leaders and the new activists that the miners were able for a year to withstand the pressure of the police and propaganda machinery of the state and business.

A pronounced influence on the situation in the FRG workers movement and on relations within the SPD was exerted by the struggle conducted by the West German unions in 1982-1984 for a reduction in the work week. Despite the weaknesses which were revealed and, in particular, the insufficiently high degree of solidarity on the part of some unions, particularly the office worker unions, the new militant spirit displayed in the course of this struggle contributed to the unions and the workers movement of the country reaching a higher level.\*

A considerable exacerbation of class contradictions in 1984-1985 was characteristic of Italy, where, despite a weakening of trade union unity, a dramatic struggle unfolded for preservation of the gains which had been achieved in the preceding period. The broad scale of the strike movement was observed in the same period in Denmark. Less strikingly, perhaps, but just as definitely similar trends are being displayed in the workers movement of Spain, Portugal and a number of other countries.

The increasingly frequent flareups of the class struggle are just one factor contributing to the politicization of the trade unions. No less serious is the increase in the union movement's general interest in a strengthening of political ties brought about primarily by the need to defend union rights and interests against the antiworker policy of the neoconservatives, in the legislative sphere included.

The growth of militant sentiments in the workers movement is leading the most consistent and purposeful forces therein to strengthen ties to the communist parties and step up the struggle for the political unity of the working class. At the same time a significant part, and in a number of places the bulk, of the workers and union movement continues to be oriented predominantly toward social democracy and is proving unready for unitary actions. Far from the least role is being performed here by the rightwing trade union leadership aspiring to confine the class confrontation to a framework acceptable to the ruling circles and restore with the help of social democracy the positions which it occupied earlier in the "corridors of power".

The trend toward the unions' rapprochement with social democracy can be traced far from everywhere. It is stronger where the unions and their rights are threatened and where the offensive of rightwing conservative forces against the working people's interests continues. This means primarily Great Britain, partly the FRG and also Belgium, Holland, Norway, Denmark and certain others.

Where, on the other hand, the social democrats, in office, are succumbing to the pressure of business and political circles of the right and pursuing

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\* See "West Europe in Economy and Policy of Imperialism," Frankfurt am Main, 1985, p 52.



an "austerity" policy, the unions' estrangement from the socialists and social democrats is increasing. But under the conditions of the stimulation of the workers movement these parties also have been forced to reckon with the unions and adopt if only half-baked measures designed to preserve the foundations of the trust created during their years in opposition.

The prevalence of the policy of a strengthening of ties and interaction between social democracy and the unions is creating a situation largely different from that which existed in the 1970's-start of the 1980's. And it is not only a question of a declining trend having been replaced by and large by a rising trend but also of the basis of the latter being primarily the growing nonacceptance by the masses and their organizations of the neoconservative policy and the aspiration to deliver it a political rebuff.

Simultaneously with the changes in social democracy's relations with the workers and union movement no less serious changes are occurring in its interaction with the new mass democratic movements which have assertively made their presence felt as of the mid-1970's in practically all developed capitalist countries. The most influential of them are the antiwar and ecology and also "communal," "civil initiative" and certain other movements operating predominantly at the local and regional levels.

Both the qualitatively different level of development of these movements and the more profound involvement therein of members, activists and the leadership of social democratic and socialist parties are currently putting the problem of relations with them among the key problems for the contemporary development of the said parties. While having a number of features in common with the union movement (mass character, democratism, nonparty nature), they differ in the specifics, which is reflected in their relations with the political parties, with social democracy included. Whereas the unions have in a number of instances been incorporated in one way or another in the party structure of the social democrats, render it tangible financial assistance and participate in the formulation of socioeconomic policy, the other mass organizations, with the exception of the traditional youth and, in some places, women's organizations, do not have such formal representation. This, however, does not prevent them in a number of cases establishing quite close contacts, the basis of which is the growth of interest in mutual support and cooperation.

Although skepticism in respect of the political parties is quite widespread in the ranks of the new mass movements and many of their supporters are inclined to regard "direct action," that is, direct pressure on state power, as virtually the sole method of realization of their demands, the situation itself is prompting them to assist the victory of the parties which share their demands to this extent or the other. Whence the relatively perceptible, albeit not always rectilinear, trend in the mass movements toward a rapprochement with the political parties adhering to similar positions or capable of evolving in a direction desirable for them.

In a number of cases an aspiration to independence is prompting the leadership and supporters of the new democratic movements, primarily the ecologists, to set up their own parties, which frequently act as rivals of

social democracy. But such a trend is by no means leading to the social democrats' isolation from the mass organizations. As available experience shows, parties of the Greens type in the FRG cannot enlist on their side, as voters included, all or even the bulk of the participants in the new mass movements.

Thus although social democracy's relations with the said movements are of a distinctive nature, the ties between them have a sufficiently strong objective foundation enabling us to speak of their long-term and by no means situational nature.

As is known, problems of relations with the mass democratic movements are assuming increasingly serious significance for the communist parties also.\* And, furthermore, the less formal nature of the party-political ties of the said movements sometimes affords conditions highly conducive to the cooperation and joint struggle of the communists and social democrats and the strengthening of the unity of action of all progressive forces.

While fully preserving organizational independence and even jealously guarding it the mass organizations and movements are linked with the social democrats mainly via "personal union". A considerable proportion of the members, activists and leaders of the social democrats, mainly belonging to the left wing, participates in the activity of the mass organizations, frequently occupying a leading position and calling the tune therein. In turn, many of the leaders, activists and rank and file participants in the movements are members of social democratic and socialist parties. Even more participants in the movements vote for social democrats. Thus in Great Britain the majority of leaders and activists of the nuclear disarmament movement (the most populous organization of fighters for peace in the country) belongs to the Labor Party. In the FRG a considerable number of the leaders and activists of the antiwar movement and "civil initiatives" and many ecologists who are not members of the Greens Party are SPD members. The social democratic parties also have close ties to the new social movements in Scandinavia and the Benelux countries, Australia and New Zealand. They are weaker in France, Italy, Spain and Portugal.

As distinct from the unions, the assertiveness and influence of the new mass democratic movements are subject to far greater fluctuations and depend to a large extent on the current political situation and changes in the mood of the masses. But the close ties to broad public opinion and their potential and at times actual capacity for being the spokesmen for the prevailing public mood are a most important source of the strength of the mass movement and its capacity for accumulating the political authority and influence of the strata of the population which do not take part directly in assertive actions. Reliance on this mood, which largely determines the voters' behavior at elections, is also affording the new movements an opportunity to influence the formation of the programs, slogans and demands of the "kindred" parties and achieve their realization.

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\* For more detail see KOMMUNIST No 5, 1984, pp 105-115.

The stability of the new democratic movements increases sharply in cases where they incorporate the workers and union movements and when they act together and in a single direction. There is then an increase in the force of this influence and its effectiveness. This is the case more often than not in the struggle for peace, which has in recent years acquired the growing support of the unions and their members and is frequently a joint struggle of the workers and democratic movements.

But there are also cases where the demands of the unions and the new movements do not coincide and are sometimes in contradiction. This is most often the case with the ecology and so-called alternative movements, which at every step present demands for zero economic growth, do not accept S&T progress and sometimes even urge a return to the subsistence economy, the breakup of traditional family relations, a break with the work ethic and so forth. It is no accident that it is the ecologists who in a whole number of countries have taken the path of formation of their own Green parties.

As we can see, the difficulties being encountered by social democracy in the strengthening of its social base are being reproduced at the level of its sociopolitical relations also. The broadening and complication of the latter are engendering difficult problems of the "compatibility" of various and at times highly heterogeneous forces which it is attempting to attract to the orbit of its influence. It is not surprising that the same problems of compatibility are starting to be reflected increasingly palpably in the development of intraparty relations and making their mark on the entire ideological-political evolution of social democracy.

### III

As is known, three basic currents have traditionally existed within the social democratic parties: right, left and center. However, this kind of gradation no longer fully reflects the entire complexity of the disposition of forces within the majority of parties which exists currently.

Thus internal differentiation has been revealed quite clearly currently in the right wing, which remains the most influential force in the overwhelming majority of parties. The basis thereof is not only the broadening of the range of social forces within the orbit of the influence of social democracy but also the shifts which are occurring in the consciousness of the working class itself and its reformist section. As has been observed repeatedly in Marxist sociological literature,\* with the growth of the educational and cultural level of the working people the "economist" trade-unionist type of reformist consciousness, while remaining predominant in a significant proportion thereof, is gradually superseded by another type of consciousness, the basis of which is a more rational evaluation and perception of capitalist reality going beyond the limited framework of purely corporate, trade-unionist notions concerning both their own interests and the interests of society as a whole. However, there is also a more limited version of this perception linking the solution

\* See, for example, "The International Workers Movement. Questions of History and Theory," vol 6, Moscow, pp 237-242; "Social Psychology of the Classes," Moscow, 1985, pp 89-93.



of exacerbated social problems not with a break with existing relationships but with the upgrading and modernization of capitalism by way, first, of an acceleration of S&T progress and the structural rebuilding of the economy and, second, a refinement of the mechanism of the control of society and the imparting to it of greater "rationality".

To no less and often to a greater extent such a model of thinking is typical of the reformist strata of the intelligentsia, civil servants, and highly skilled specialists, particularly those employed in the "high technology" spheres. Together with the traditional "trade-unionist" part of the right wing of social democracy, which has preserved its influence, a younger, but no less ambitious grouping which may conditionally be called "liberal-technocratic" has been making its presence felt therein increasingly noticeably in recent years. While reflecting the sentiments and interests of the said part of the working class and middle strata the "liberal-technocrats" are at the same time close in spirit and interests to certain business circles, mainly connected with the technologically impregnated sectors of production, and also those which are critical of the "antistatism" of the neoconservatives, which is holding back the modernization of the economy and weakening national unity.

Developing within the framework of the structures, traditions and mutual relations which have long been in existence, the liberal-technocratic current in social democracy rarely appears in pure form. It is more often interwoven with others, more leftwing included, particularly when the same social forces prove to be their base. The influence of the liberal-technocratic current within individual social democratic parties is far from identical. It is stronger in parties whose ties to the trade union movement have been seriously complicated or where there has been an appreciable strengthening of contacts with the new middle strata, the technocracy and the technocratic bourgeoisie. In these parties they have managed to win quite strong leading positions (as has been the case in the Italian Socialist Party) or to establish themselves such as to have begun pretending to the role of most influential force (the French Socialist Party). In parties, however, where the influence of the unions and the "old guard" of social democracy is quite substantial, they frequently have to content themselves with the more modest role of a "pressure group". Although even here, as the experience of the SPD and the British Labor Party shows, their influence is gradually increasing.

Even more complex is the disposition of forces in the left wing of social democracy, which has recently begun to orient itself increasingly noticeably toward the new mass democratic organizations and movements, sometimes even to the detriment of traditional contacts with the workers and trade union movement. There is every reason to speak of a quite appreciable broadening of the base of the left wing and its more organic ties to the masses.

It is possible to ascertain in a whole number of cases not simply an expansion of these contacts but also a new quality thereof largely reflecting the specifics of the democratic movements and their organizational structures. The emerging "personal union" is ensuring the deep mutual penetration of the movements and the left wing of the parties. Intraparty life also is being democratized accordingly, and the left wing is shedding certain features of "parliamentary socialism" and becoming closer to the masses.



None of this can fail to be reflected in the democratic movements' attitudes toward trade union and strike assertiveness, particularly when a rapprochement between the mass democratic and workers movements is under way. During the 1984-1985 British miners' strike supporters and activists of the peace and, particularly, women's movements and "Community Action" joined in the campaign to assist the families of miners, formed aid committees and undertook organizational and political work to enlist as broad strata of the population as possible in the campaign of solidarity with them.

True, such close rapprochement of the two main directions of mass assertiveness is as yet being achieved in comparatively narrow areas of the struggle and reflects more a trend than a process which has gathered strength. But even in cases where in this party or the other quite acute collisions have arisen over the choice of priority orientation toward this direction of mass assertiveness or the other, as was the case in the SPD, for example, their disposition toward mutual rapprochement has been revealed increasingly distinctly recently. Graphic testimony to this is the preparation by the party authorities responsible for the formulation of program documents of the declaration "Work and the Environment," whose authors attempt to link the problems of the ecology and employment such that the solution of one facilitate the solution of the other.\*

The expansion of the interaction of the left wing of social democrats with the mass movement sometimes leads to the formation on the left flank of the parties of a more or less distinctly expressed current which has features which were in the past encountered quite rarely in leftwing social democracy. Accumulating the more emphatic sentiments typical primarily of the "outcasts" of bourgeois society and those threatened with swelling their ranks and also the left-radical intelligentsia, this current advocates a policy of implementation of large-scale transformations designed to facilitate a redistribution of wealth and power in society. In the majority of cases its representatives have not yet broken with reformism and the reformist approach but are now quite close to this.

True, the supporters of the traditional, more moderate approach in the left wing have also in recent years grown markedly closer to the mass movement. They participate, as a rule, in antiwar protests and support the strike struggle and other mass actions. They acknowledge for the mass movements here merely the limited role of "interest groups" which can and should influence the party-political sphere, leaving to parliament here and the parties represented therein the right of final decision-making.

Thus both the moderate and more decisive groupings of the left in social democracy base their influence on the mass movement, with the essential difference that each current reflects the tendencies inherent in it.

It should be mentioned that the relatively great heterogeneousness of the social environment on which the "hard" left current relies and the existence therein of lumpen-proletarian elements and also people who have not attended the school of class struggle and are inclined to exaggerate the role and

\* See DIE NEUE GESELLSCHAFT, January 1985, p 11.

significance of impulsive and sometimes spontaneous protest make for the presence within the above-mentioned current of both sectarian and at times clearly expressed leftist elements. Great Britain's Labor Party, for example, has in the past decade been infiltrated by Trotskyites, who are influencing, according to certain data, up to one-tenth of local party organizations.\* Granted all this, the leftwing current acquires its main impetus primarily from the proletarian working strata, and this makes for the preponderance of positive features in its development.

A manifestation of the shifts on the left flank of social democracy has been the promotion of a new type of leader oriented primarily toward "local" activeness and closely connected with the underprivileged strata of society and the mass movements. A typical such figure is K. Livingstone, head of the former Greater London Council, which was abolished by the Conservatives, who draws his main support from the poor areas of the capital and who has done much to alleviate the position of many of their inhabitants. Holding very radical political views, he and the leftwing Labor Party leaders and activists like him believe that the time has come for the most assertive participation of the broad working masses in politics and the political struggle and for the implementation of a system of measures designed to put an end to all forms of discrimination and simultaneously strive for the renewal and genuine democratization of the existing political structures.

The strengthening of anticapitalist, socialist trends in the left wing of social democracy makes for its greater disposition to cooperation with other leftwing forces of the workers movement, primarily the communists. This is manifested particularly graphically in periods of upsurge of the mass movements, whether it be a strike, the struggle for peace and against the rightwing danger or protests of unemployed immigrants, women, youth and such. Although this cooperation is more often than not of a limited nature, it is, true, not so much owing to traditional anticommunist prejudices and ideological taboos as the consequence of the sharply negative attitude toward cooperation with the communists on the part of the right wing.

Nor could the new situation in both the right and left currents of social democracy have failed to have been reflected in the position of the center and its political role. As a rule, its function of connecting link between the different groupings within the party has increased practically everywhere.

It is no accident that, as distinct from the situation which existed up to the end of the 1970's, supporters of the center are now being promoted considerably more often to the highest executive positions in the social democratic parties.

As a rule, the correlation of forces between the three main currents in the social democratic and socialist parties is determined primarily by the level and nature of the assertiveness of the mass movements and the degree of stability of the moods which they reflect. The upsurge of the worker and trade union movement in the majority of Western countries at the end of the 1960's-start of the 1970's brought about a clear-cut trend toward a leftward

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\* B. Baker, "The Far Left. An Expose of the Extreme Left in London," 1981, p 31.

turn of a whole number of parties and toward the adoption of more definite positions on questions of domestic and foreign policy. The "lull" in this movement which came about in the latter half of the 1970's caused by the growth of unemployment, the unions' switch to defensive positions and the "crisis of ideas" of the trade union struggle led to a slowing of the left-turn process and to attempts by the right wing (often not without success) to exact revanche. However, in the majority of cases this success was highly relative primarily for the reason that at the end of the 1970's and, particularly, the start of the 1980's an upsurge of the antiwar, ecology and women's movements began, a most active part in which has been played by leftwing social democracy. The said upsurge led almost everywhere to a growth of the influence of the left wing and a general shift leftward.

The distinctiveness of this leftward turn, however, is that it has been and is of an uneven nature and has affected mainly the positions of social democracy in the foreign and military policy spheres. And this is no accident, of course. Given the tremendous significance assumed by the problem of averting the threat of war, which has grown sharply as a result of the policy of spurring the arms race being pursued by imperialist circles of the United States and NATO, social democracy has been forced to adopt more critical positions in respect of the increased militarism and express its concern at the current situation. The main reason for the essential shift in its positions on these questions was the fact that it had been here in recent years that, as already mentioned, the highest mass assertiveness had been observed.

The social democrats' growing concern at the exacerbation of the international atmosphere and the intensified arms race was expressed in the opposition of a whole number of parties to the deployment of the American intermediate-range missiles in West Europe. An active antinuclear policy is being pursued by the Australian and New Zealand Labor governments.

#### IV

An indicator of the new mood in the social democratic movement and its endeavor to make a realistic contribution to the cause of disarmament and detente has been the pronounced growth of the efforts of the Socialist International and its leadership in this sphere.

The Socialist International disarmament work group was set up in 1978 (in 1980 it was transformed into the Disarmament Consultative Council), which was headed by K. Sorsa, leader of Finland's Social Democratic Party. The council prepared a number of documents, which were approved by the 15th and 16th Socialist International congresses (1980 and 1983) and formed the basis of its international activity. Their main provisions were also incorporated in the Albufeira Declaration (adopted by the 16th congress) and the draft new declaration of principles drawn by a special committee of the Socialist International which it is intended studying and approving at its subsequent congress. All these documents express extreme concern at the state of affairs in the world and emphasize the need for "struggle for the survival of mankind."

The Albufeira Declaration notes the "profoundly disturbing signs of the possibility of the start of a new phase of the arms race as it is extended to space and incorporates the use of increasingly intricate weapons." The

declaration condemns the "limited nuclear war strategy" and calls for confirmation of the commitments contained in the treaties concluded earlier on limiting strategic arms and ABM systems, a ban on all nuclear weapon tests, a ban on the production, storage and use of chemical and bacteriological weapons, demilitarization of the seabed and space and the creation of nuclear-free zones in a number of parts of the world.

Despite the cautiousness and at times negative attitude toward the activity of the peace forces and organizations and cooperation with them which continue in the leading circles of a number of parties, a more positive evaluation of the peace movement and recognition of its importance in the struggle for detente and disarmament have come to be firmly established at the Socialist International level. This, inter alia, was declared in his speech at the 16th Socialist International Congress by its president W. Brandt: "We do not believe that the international peace movement is being conducted in the interests of certain groups. On the contrary, I regard it as our ally to a considerable extent on the path leading to the common goal."

There has been a marked stimulation in recent years in the practical activity of the Socialist International and its leadership aimed at the achievement of accords on peace and disarmament. The Independent International Disarmament and Security Commission, which incorporates representatives of various countries and political parties, including Soviet specialists, operated successfully for several years under the leadership of prominent Socialist International figure, Olof Palme, leader of Sweden's Social Democratic Workers Party, who fell at the hands of an assassin. It is now called the Palme Commission.

In 1985 the Socialist International held a second special disarmament conference in Vienna (the first had been held in 1978 in Helsinki). Besides the parties and organizations which are members of the Socialist International, the Vienna conference was attended by representatives of the USSR, the United States and the PRC, the United Nations, the nonaligned movement and others. The conference approved the Vienna Appeal, which put the emphasis on the need for an end to the arms race, contains an appeal to the USSR and the United States that they seek an improvement in relations between the two countries and expresses resolute opposition to the "strategic defense initiative" and similar concepts. The appeal calls on the United States and the USSR to embark on arms reduction and in this connection:

confirm the commitment to comply with SALT I and SALT II after 1985 and refrain from any measures which could undermine compliance with these treaties;

confirm and underpin their commitments ensuing from the 1972 ABM Treaty;

negotiate a radical reduction in strategic arms, including warheads and delivery systems;

refrain from the testing and development of antimissile and antisatellite weapons and the preparation of an arms race in space;



negotiate a moratorium on the testing of nuclear weapons as of January 1986 and facilitate the conclusion in 1986 of a general agreement banning nuclear testing;

negotiate a reduction in the further deployment of intermediate-range nuclear systems and a reduction in and subsequent destruction of the existing systems of both sides.

The Socialist International called on all countries to make full use of the multilateral disarmament forums, the UN system, the nonaligned movement and also other organizations and movements.\*

In recent years the Socialist International leadership and the Disarmament Consultative Council have paid great attention to an expansion of social democracy's international relations and contacts. A prominent place has been occupied by meetings and negotiations with party figures and statesmen of the socialist community countries.

In March 1985 there was a meeting between M.S. Gorbachev, general secretary of the CPSU Central Committee, and the Socialist International Disarmament Consultative Council headed by its chairman K. Sorsa. In May 1985 the Soviet Union was visited by Socialist International President W. Brandt, who also was received by M.S. Gorbachev.

The parties of the Socialist International received with approval the results of the Geneva meeting between M.S. Gorbachev, general secretary of the CPSU Central Committee, and U.S. President R. Reagan. The overwhelming majority of them supported the USSR's peace initiatives in the sphere of disarmament and detente and, in particular, its proposals concerning the nonmilitarization of space, a ban on all nuclear tests, a 50-percent reduction in the strategic nuclear arms of the USSR and the United States, a ban on chemical weapons and the creation of nuclear-free zones in a number of regions of the world.

Granted all the positive changes in the positions and activity of social democracy on questions of disarmament and detente, it has to be seen that these positions are not distinguished by consistency and that deed is often at variance with word. The endeavor to distance themselves from the United States on a number of questions which has intensified in recent years and a critical attitude toward its unconstructive position and steps leading to an exacerbation of international tension and an expansion of the arms race are combined with the continued adherence of the majority of parties to the aggressive NATO bloc and "Atlantic solidarity".

The growth of social democracy's interest in the solution of international problems has been manifested, inter alia, in its increased attention to problems of the developing countries. Fearing a further exacerbation of the socioeconomic and political situation in them, the Socialist International and its parties have begun to actively advocate the adoption of measures aimed at a stabilization of the economy of the "third world" and the creation of a

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\* For the full text of the "Vienna Appeal" and a detailed exposition of the course of the discussion at the conference see NOVOYE VREMYA, 1 November 1985, pp 18-23.

new international economic order. The problem of relations of the developed and developing countries figures constantly on the agendas of Socialist International congresses and is also being studied in the commissions and work groups which have been set up for this purpose. Recently the solution of the problems of the developing countries has been linked increasingly closely by many social democratic parties with the problem of a halt to the arms race and, correspondingly, the channeling of some of the resources thus released into the accomplishment of socioeconomic tasks.

The interest in problems of the developing countries and an expansion of influence in them has also been reflected in the Socialist International's attempts to overcome its hitherto characteristic "Eurocentrism" and expand the circle of its members thanks to the attraction of parties from Asian, African and Latin American countries. According to data of the Socialist International itself, at the start of 1985 the total number of members of the 49 parties incorporated therein was in excess of 16 million, and they were supported by more than 100 million voters.

As a whole there are undoubted positive changes in social democracy's positions on international problems. Different parties are pursuing a far from identical policy, it is true, and inconsistency and contradictoriness are frequently observed in the realization of foreign policy aims. There are frequent instances of the corresponding party, on assuming office, even departing from the line formulated in the period in opposition.

Nonetheless, the enhanced role of social democracy and the Socialist International in the struggle against the nuclear threat and for disarmament and international security is indisputable, and this is creating favorable prerequisites for a stimulation of mass actions in this direction.

To speak of the evolution of the socioeconomic and domestic policy aims of the social democrats, it is of a limited and contradictory nature. While incorporating in their program and policy documents a number of provisions accommodating the interests and demands of the working people (particularly the most destitute part thereof) and also certain measures to control the activity of big business they are concentrating the main efforts on a quest for the capitalist economy's way out of crisis situations, particularly from the structural crisis. Particular significance is attached to the modernization of production based on the application with the assistance and cooperation of the state of the latest achievements of the S&T revolution and the securing of more stable economic growth as the principal prerequisite of the solution of the most acute social problems, including that of unemployment. At the same time, however, the tasks of limiting the power and influence of "big business," nationalization, increased control over the private banks and other financial institutions and a redistribution of income and wealth in favor of the working people, that is, everything advanced as the paramount, priority policy directions in the programs of the 1970's-start of the 1980's, has now receded into the background. The principal authors of the modernization programs are the representatives of the liberal-technocratic current, but figures from other groupings with influence in the parties are involved in their compilation also.

Another, no less essential aspect of the aims being elaborated by the social democrats is the orientation toward a new social partnership, which, its creators intend, is designed, first, to ensure the more active role therein of the worker and union masses and, second, include in its orbit, besides the trade unions, other "interest groups" of working people, including ecology, consumer, tenant and other organizations. It is no accident that it has been possible to encounter increasingly often recently among West German social democrats the terms "ecosocialism" and "ecoreformism," which have allegedly come to replace the "Keynesian reformism" of the 1950's-1970's.\* A pronounced "ecological" tilt distinguishes the updated program aims of the social democrats of the Scandinavian countries and also Belgium, Holland and Austria. It is less noticeable in the British Labor Party, which puts the emphasis on the achievement of a more reliable "social contract" with the unions than before.\*\*

In elaborating plans for the creation of a broad "social alliance" the social democrats intend breathing new life into the "class peace" ideas which were thoroughly discredited in the 1970's-start of the 1980's and simultaneously challenging the confrontational social strategy of the neoconservatives.

The influence of the left and left-radical forces on the socioeconomic directions of social democracy in the 1980's are being reflected basically in the more definite emphasis than before on the need to secure the direct participation of the worker and union masses in the control of production and the economy, extend "economic democracy," enlist the working people and their "interest groups" in control of the social service sphere and democratization and the broadening of the rights of local self-government. The practical realization of all these and certain other propositions would lead, they believe, to an appreciable shift in the correlation of sociopolitical forces in favor of the working people and their organizations. However, such a shift could occur in spite of and not thanks to the basic, class-collaborationist policy, which is very far from a radical, socialist alternative to neoconservatism.

In addition, an important singularity of the doctrines and practical policy being elaborated by rightwing social democracy is precisely the borrowing, albeit frequently quite guarded, of certain approaches and propositions characteristic of neoconservatism and forming the basis of monetarist concepts. It is precisely these borrowings, which are manifested most clearly in the new emphasis on "economies" in state spending and stricter currency and financial control, which distinguish the Austrian version of "neoreformism" (so-called "Austro-Keynesianism")\*\*\* and a number of its modifications being developed by other parties.

Although the new or, more precisely, updated credo of social democracy has yet to be formed conclusively, there is nonetheless reason to assert that, granted

\* See O. Lafontaine, "Der Andere Fortschritt," Hamburg, 1985.

\*\* See "A New Partnership. A New Britain," London, 1985.

\*\*\* See WIRTSCHAFTSPOLITISCHE BLAETTER No 3, 1982, pp 010-113; ZUKUNFT No 6, 1983, pp 27-29.

all the at times quite far-reaching modernization of the program and political directions, social democracy has not divested itself of its class-collaborationist essence in the least. Shifting in some places to the left and in others to the right, it acquires the capacity for operating in a broader political field. Simultaneously its chances of retaining this space under its undivided influence are reduced. And this is the main reason for the instability of the social and political base of the social democratic parties and periodic crises of confidence which they are experiencing.

As a whole, the above-mentioned shifts in social democracy's relations with the masses and mass movements have contributed to its increased possibilities in active and consistent defense of the working people's interests and the establishment of peace in the world. However, their realization will depend on a multitude of factors, among which far from the least part is being played by the readiness of social democracy to act together with other progressive forces both within their countries and on the international scene. The CPSU Program says: "However deep the differences between different currents of the workers movement, this is not an impediment to a fruitful and regular exchange of opinions and parallel or joint actions against the military danger and for an improvement in the international situation, the elimination of the remnants of colonialism and the interests and rights of the working people."

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## PROSPECTS FOR EEC AS POLITICAL UNION ASSESSED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6,  
Jun 86 (signed to press 13 May 86) pp 40-53

[Article by Yu. Shishkov: "The European Community at a Critical Point"]

[Text] In 1986, the 29th year of its existence, the European Community\* began life in enlarged form: it now has twice as many participants than at the start, superior in terms of population to the United States by a factor of 1.4 and to Japan by a factor of 2.7.

In the past the Community, overcoming difficulties and crises of confidence, has created a large joint market commensurate in terms of its volume with the U.S. domestic market and has expanded somewhat the original circle of spheres of coordination of economic policy. Steps have been taken in recent years to elaborate and implement a common S&T policy, a prominent place in which could be occupied by the multilateral EUREKA program.

The West European grouping has become an important factor of international economic life: it accounts for approximately 36 percent of the industrial production, 39 percent of the gross domestic product and half of the exports of the developed capitalist countries. The Community has trade agreements with almost 120 countries and is a party to 30 multilateral commercial-political agreements. Coordination of the foreign policy pursued by the members is becoming closer. The Community performs a palpable role in international affairs. The ambassadors of almost 130 states are accredited at its headquarters in Brussels.

The participants can seemingly take pride in what has been achieved. But why, then, have many Western scholars and specialists been speaking for more than a decade about the crisis of this West European integration grouping? Why do

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\* The agreements governing the creation of the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM), which were signed in Rome by the FRG, France, Italy, Belgium, the Netherlands and Luxembourg on 25 March 1957, took effect on 1 January 1958. In the summer of 1967 the bodies of both these communities were merged with the bodies of the European Coal and Steel Community (ECSC), which had arisen back in 1952, in a composition of the same six countries. As a result this three-in-one organization came to be known officially as the European Communities (EC) and unofficially as the European Community.

the leaders of the European Communities Commission periodically replacing one another repeat one and the same thought that either the Community will forge ahead, toward supranational institutional structures, or vegetation or even degradation await it? Why, finally, has the EC for many years been in a feverish state from unsuccessful attempts to reorganize the mechanisms of the members' interaction, upgrade the decision-making process, revise the rules of the financing of joint measures and so forth?

The reasons for this paradox are rooted in the profound contradictoriness of the capitalist form of realization of the common regularities of the development of regional integration economic complexes. By the mid-1980's these contradictions had intensified to such an extent that they had confronted the Community with the need to break with the stagnant organizational forms threatening to erode the level of the economic and political interaction of the participants which had been achieved. The integration grouping has found itself at a critical point in its history. The future fate of West European integration will depend on whether it will be able to overcome this point.

#### Objective Need and Contradictory Possibilities

From the economic viewpoint regional integration represents, as is known, the highest degree at the current stage of internationalization of economic life or, in other words, a considerably higher degree than the general level of development of the international socialization of production which has been achieved. Integration regions are distinguished against the background of the corresponding world economy (socialist or capitalist) by a deeper international division of labor, the more intensive exchange of goods and services and a considerably greater degree of interdependence of the national economies with all the economic and political consequences for the participants ensuing therefrom. For this reason a general historical regularity is manifested particularly distinctly here: the higher the level of socialization of production, the more insistent the need for the purposeful, plan-oriented regulation of economic processes for maintaining the necessary proportions and rates.

But under the conditions of capitalism the basis of regulation of the economy is, as is known, the market with its spontaneous fluctuation of commodity prices, interest rates, stock prices, currency exchange rates and so forth. It was on such market-competitive regulation that the theorists and designers of West European integration put the main emphasis. A common (joint) market as the basis of a CUSTOMS UNION was and remains, the leaders of "little Europe" believe, the most dependable foundation of the Community. This regional market of commodities, capital, services and manpower was designed to gradually cement and bind together the partners' national economies and convert them into a more or less integral economic organism.

On this foundation it was contemplated erecting subsequently a further two stories--an ECONOMIC UNION, that is, a community within whose framework the closest coordination of the participants' economic policy would be exercised, and in the most important areas the elaboration and implementation of joint policy even, and, finally, a POLITICAL UNION, that is, the merger of the national social and political structures in some federal or at least confederal type of superstate.

The economic union was to have supplemented the spontaneous-market regulators of economic life in the region by purposeful interstate regulation. After all, in the mid-1950's, when the Community program was being drawn up, the states of its future members actively regulated the significant sectors of the national economy, primarily those such as transport, ferrous metallurgy, coal industry, agriculture and so forth.

It was necessary to reckon with this and seek ways of coordinating economic activity. The purpose of such coordination was on the one hand to reduce to a minimum the use of government orders, subsidies, tax concessions and other hidden forms of support for one's "own" businessmen in the competitive struggle in the joint market against "others" and, on the other, to amalgamate national financial resources and organizational efforts for the joint solution of problems of mutual interest.

But it is here that the most difficult part of capitalist integration begins. By its very nature state regulation of the economy is with its inherent fiscal, credit-finance, legal and administrative levers possible only within the limits of national boundaries, that is, in the sphere of the jurisdiction of a specific state. Regulation of international economic processes, on the other hand, has to be exercised in no man's land, so to speak, where there is no common sovereign and where the sovereignties and jurisdictions of several states clash. Joint interstate regulation presupposes, therefore, either subordination of the interests and political will of some states to others or a search for consensus in each specific instance.

The first is possible under capitalist conditions given the hegemony of one partner over others, as is the case, for example, in the North American region. But for the West European integration grouping, where there is a certain balance between the three leading partners, there remained only the second way--consensus, which presupposes the principle of unanimity at the time of the adoption of binding decisions and, consequently, a right of veto for each of them. It was these fundamental circumstances which determined the basic singularities of the decision-making mechanism contained in the treaties on the founding of the ECSC, the EEC and EURATOM.

As far as political union is concerned, the founders of these European communities proceeded from the need for and even inevitability of the growth of the customs and economic unions into some superstate, a kind of "United States of West Europe". "We are not integrating the economy, we are integrating policy," W. Hallstein, first chairman of the European Communities Commission (ECC), said, exaggerating somewhat. "We are not simply sharing the furniture with one another, we are building a new and more spacious house."\* "The great economic space encompassing the territory of the six EEC states," he added later, "requires... state power which extends to this entire sphere."\*\*

\* W. Hallstein, "United Europe: Challenge and Opportunity," Cambridge (Mass.), 1962, p 66.

\*\* BULLETIN OF THE EUROPEAN COMMUNITY, December 1965, p 6.

For this reason the institutional structure of the Community was from the very outset as close as possible to the structure of the national bourgeois state. The European Parliament as the embryo of future legislative authority, the EEC as the executive authority with supranational inspection and other powers as the rudiment of a future "European" government and the EC Court as the first version of a future higher authority of "European" justice were created here. All these authorities contain great potential of supranational power and control. However, inasmuch as the founding countries were not prepared to part straightaway with their sovereign rights, particularly in the sphere of foreign policy and defense, the said authorities did not initially acquire any in any way significant real powers.

For exercise of the Community's most important functions a Council of Ministers endowed with the right of adopting rules of a legislative nature binding for the participants and their physical and legal persons--orders, directives and decisions--was introduced to its institutional structure (manifestly as a temporary transitional body). But it is for this reason that it operates on the basis of interstatehood, that is, a search for mutually acceptable compromises between partners defending their own national interests and possessing for this the right of veto.

Inasmuch as decision-making on all essential questions is based here on the principle of unanimity\* formally no country can have obligations imposed on it which are unacceptable to it. True, 8 years after the start of the functioning of the EEC it was proposed canceling this principle and adopting all decisions by majority vote. This also would have manifested an advance from interstatehood in the decision-making process itself. In the future, however, the functions of the Council of Ministers were to be transferred to the European Parliament and, partly, to the ECC.

Such were the original intentions of the architects of "little Europe". But life very quickly made appreciable adjustments to them. With the assumption of office in France in 1958 of President C. de Gaulle Paris conducted a struggle to weaken suprastatehood in the Community's institutional system and in defense of the members' sovereignty. The supporters of federalism, for their part, strove for the speediest broadening of the powers of the ECC and the European Parliament, advancing as the argument for this the fact that the right of veto would increasingly impede the development of integration as it extended to new spheres of economic and social policy.

A clash occurred in 1965, when the time had come to adopt a decision on the cancellation as of the following January of the principle of unanimity. France announced a boycott, recalling its representatives from all the Community bodies. The 7 months of paralysis, which threatened its very continued existence, led in January 1966 to the so-called "Luxembourg compromise": if this EC country or the other believes its vital interests to be affected, the Council of Ministers is obliged to seek a solution acceptable to all. In practice this meant legalization sine die of the principle of unanimity and, furthermore, in fuller volume than envisaged by the Treaty of Rome. Simultaneously the positions of the ECC were weakened perceptibly and the hopes for the endowment of the European Parliament with legislative powers were buried.

\* Decisions are adopted by simple or necessary majority merely on secondary or procedural issues.



As a result an unusual transitional institutional structure of the Community targeted toward growth into a federal-type system and for this reason incomplete and inherently unbalanced proved virtually frozen. In addition, at the end of the 1960's a new body operating on the basis of consensus appeared--the meeting of the heads of state and government of the participants. As of 1972 such meetings became annual and as of 1975 have been held thrice annually and have been called European Council sessions. This supreme directive body tipped the scales even more in favor of the interstate and unanimity principle.

However, as integration has grown, there has been an intensification of the interdependence of the national economic policies of the participants and, consequently, of the need for their closer coordination on a broadening range of problems. But simultaneously there has also been a growth of the danger that, having acquired credit, budget-finance, fiscal and other levers of macroeconomic regulation, the Community's supranational institutions may not come in good time to the assistance of this country or the other in a difficult situation.

In addition, not entirely groundless are the fears that in certain situations these levers could be used by a majority of members to the detriment of the minority. Whence the endeavor of many of them to retain as many opportunities as possible of defending their own interests. In other words, there is a growing contradiction between the objective need for the transfer of an increasing share of sovereignty from the national to the supranational (regional) level on the one hand and the lack of readiness of the participants to accede to such a transfer on the other.

This contradiction has two aspects--functional and institutional. The first is attended by the question of which spheres of domestic and foreign policy and to what extent are subject to transfer to the jurisdiction of Community authorities. As of the present agrarian and foreign trade policy are determined and implemented at the level thereof to a considerable extent, policy in the sphere of coal and steel industry to a lesser extent and the coordination of common rules of competition on the common market of industrial commodities and services and the conditions of the functioning of common manpower and capital markets to a lesser extent still. Currency and regional policy is coordinated only partially. As far as the industrial, transport, S&T, ecology, taxation, credit, social and many other spheres of domestic policy and also foreign, military and foreign economic policy (apart from its foreign trade aspect) are concerned, they are, as before, predominantly in the hands of national governments and parliaments, although they are to this extent or the other the subject of consultation, coordination and at times joint financing even.

The institutional aspect has been illustrated above to a considerable extent. It merely remains to add that the problem of choice between the principle of unanimity and the majority principle is complicated by the fact that, given decision-making in the Council of Ministers by the necessary majority, the significance of the small countries in the sum total of votes declines sharply. After all, the principle of the distribution of benefits according to strength, according to capital, immanent to capitalism operates in the Community. And inasmuch voting in the majority of cases is attended in one way or another by a distribution of benefits (or losses) of integration the number of votes which

a country possesses depends on the size of its contribution to the Community budget and importance in its economy as a whole.\* This imparts particular political poignancy to the problem of the renunciation of unanimity.

### New Imperatives

It is difficult to say how long the Community could have functioned on the basis of the "Luxembourg compromise". But the crisis phenomena in the capitalist economy and the serious complications on the international political scene soon required if only a partial change in the balance between supranational and interstate principles in the Community system and in the decision-making mode itself.

At the start of the 1970's the profound and long-term derangement of the conditions of social reproduction embraced the entire capitalist world. The collapse of the Bretton Woods currency system, general inflation, the growth of interest rates, the disturbance of equilibrium in international payments under the blows of the energy crisis and similar upheavals made the conditions of the development of the partners' national economies considerably worse. The economic growth rate slowed abruptly, and unemployment grew catastrophically (see table).

Most Important Economic Indicators of the EC (10 countries, annual average)

	Increase in GDP (in real terms, %)	Rate of inflation (%)	Budget Deficit (% of GDP)	Real long-term interest rate percentage*	Unemployment (% of able-bodied population)	
1961-1970	4.6	3.7	0.4	2.7	2.1	* Difference between interest on long- term securities and growth of consumer prices in 12 months.
1971-1980	2.9	10.1	2.8	0.5	4.2	
1981-1985	1.2	8.1	5.4	4.1	9.8	
1985	2.3	5.2	5.2	3.6	11.2	
1986**	2.5	3.9	4.8	--	11.1	

\*\* ECC forecast.

Sources: "Jahreswirtschaftsbericht 1985/86," ECC, Brussels, 1985, p 15; EUROPEAN ECONOMY, November 1984, pp 210, 224.

Under these conditions the government of each participant began first of all to seek ways of rescuing the national economy, and the integration aims and commitments were relegated to the background. In addition, various methods of shifting one's own difficulties onto one's partners were set in motion. And inasmuch as approximately one-half of the EC states' foreign trade turnover was trade within the grouping, the extensive application of such methods

\* In the enlarged Community the FRG, France, Italy and Britain have 10 votes each in the Council of Ministers, Spain 8, Belgium, Greece, Netherlands and Portugal 5, Denmark and Ireland 3 and Luxembourg 2 votes. The necessary majority is not less than 54 of the 76 votes.

signified virtually the unleashing of a concealed trade war among them. The number of suits brought by the ECC in connection with the partners' violation of the rules of "honest competition" increased from 20 in 1960 to 50 in 1970, 100 in 1980 and 1,000 in 1983. According to ECC estimates, the members are employing in reciprocal trade 56 varieties of hidden, nontariff barriers.

This means an erosion of the common market--the very foundation of the Community. To halt this erosion what are necessary evidently are political decisions which would make it possible on the one hand to establish stricter Community control over the member governments' observance of the "rules of the game" and, on the other, by joint efforts to at least partially overcome the difficulties forcing the countries to violate these rules. However, all this is foundering against the institutional structure and decision-making system frozen since 1966.

Further, in the atmosphere of the relatively free "floating" of the West's currency exchange rates legitimized by the Jamaica agreements the currency situation in the Community zone has proven highly dependent on the American dollar, which is, as before, dominant in international payments and foreign currency reserves. To ensure currency stability the Community has, as is known, twice attempted to create a special mechanism. Its first version--the "currency snake"--was a fiasco, the second--the European Monetary System (EMS)--which was introduced in March 1979, is functioning comparatively successfully, although has not escaped 10 serious upheavals already.

But neither is the new system capable of lessening the dangerous dependence on the dollar. Although the EC countries' total treasury gold reserves are not less than the United States' gold reserves and their foreign currency reserves are four times greater than the American reserves, the Community is incapable of lessening the destabilizing influence of the American currency. This situation has largely been caused by the fact that the program of the creation of the EMS has not been taken to its logical conclusion.

We would recall that following a 2-year trial period of the functioning of the EMS the transition to a second, final, stage of its construction was envisaged. It was contemplated at this stage, first, establishing a new European Currency Fund (ECF), which would have the right not only to grant the members credit for maintaining their currencies' exchange rates and issue a joint monetary unit of the Community, the ECU, but also to control the grouping's currency sphere on a daily basis. In other words, the ECF was conceived of as the embryo of a common central bank. Second, it was expected that the ECF would have its own and not deposited financial resources, as is the case now. This would enable it, when extending credit, to require of the recipients the pursuit of this domestic economic policy or the other. Third, at the second stage the ECU was to acquire all the functions of an international currency. It was planned gradually converting it into a full-fledged, unrestricted means of payment in mutual relations between the members and subsequently in their relations with the outside world and, finally, in settlements between third countries as a counterweight to the dollar. But this is still a long way off, despite the increasingly extensive use of the ECU in private banks' international credit transactions and private firms' foreign trade payments.

Realization of the second stage of the program of the formation of the EMS could have signified a step on the way to economic union, although, of course, stabilization of the currency sphere alone is insufficient for the creation of such a union. However, the timeframe for transition to the second stage expired long since, and things have not budged an inch. The solution of the problem once again came up against the unwillingness of a number of countries to transfer to a supranational currency fund monetary-credit levers of economic regulation.

Meanwhile there has been increased use by Washington in recent years of the American currency's exchange rate in the interimperialist rivalry. From July 1980 through September 1985 the dollar's exchange rate in relation to the ECU rose 83.5 percent. And merely a 20-percent rise in the American currency's exchange rate in relation to the ECU entails, according to ECC estimates, a 1.25-percent reduction in the Community's aggregate gross domestic product and a 2.5-percent increase in prices here.\* And although the situation has changed since September 1985, there are no guarantees that the dollar will not again be used as heavy artillery in the economic war between the United States and West Europe. In a word, the objective conditions in this sphere also are making urgent the need for movement toward supranational structures.

One further deep-lying economic reason for this need is connected with the breakup of the sectoral structure of industry in all Western countries which began in the 1970's and the transition from traditional energy- and material-consuming to science- and technology-intensive processes. The center of gravity of the competitive struggle on the world market, between the United States, West Europe and Japan included, has shifted to the S&T sphere, where the West European countries find themselves in less favorable conditions. It is sufficient to cite the following figures: in 1981 Britain had 36.7 scientists and engineers working in the sphere of R&D per 10,000 employed persons, France had 36.8 and the FRG had 46.8, whereas Japan had 55.6, and the United States 62.7.

In addition, the West European countries are lagging behind in the scale of concentration of scientific research in the decisive areas: electronics, biotechnology, a number of instrument-making processes and so forth. As a result the United States' share of total exports of science-intensive commodities from the West's industrially developed countries grew from 25.6 percent in 1980 to 26.3 percent in 1983 and that of Japan from 11.3 to 15 percent respectively, but the share of the FRG in this time declined from 16 to 14.7 percent, of France from 7.3 to 7.1 percent and of Britain from 9.3 to 8.4 percent. This is a very serious threat of defeat in the S&T race of the three centers of imperialist rivalry.

In order to avert such an outcome the Community is in need of decisive and urgent measures. The market mechanism is incapable of coping with this task inasmuch as it is a question of a rapid redistribution of large-scale financial, personnel and material resources and their concentration in the most promising areas. The efforts of individual countries even at government level are in many instances insufficient here.

\* See "Jarheswirtschaftsbericht 1985/86". ECC, Brussels, 1985, p 26.



Furthermore, the encouragement of technical progress, as also the government measures to mitigate the structural crisis in the traditional sectors of national industry, is attended by a variety of budget subsidies and tax and credit privileges, which are objectively undermining the equal conditions of competition on the common goods and services market, that is, intensifying that very undermining of the foundation of the Community mentioned above. In order to ensure an effective surge toward the assimilation of new technology and science-intensive types of product and at the same time prevent even more dangerous cracks in these foundations the Community has no choice but to elaborate this version of joint industrial and S&T policy or the other on which the ECC has long been insisting.

But this presupposes an appreciable expansion of the functional powers of the Community authorities and at the same time the sphere of contradictions between the members in the Council of Ministers and other authorities. Practice has shown that the more such rings where a "local" fight for this benefit or the other is under way, the more frequently it is necessary to resort to "package" deals (interlinked solutions of a whole set of contentious issues) and the less meaningful are the compromises which are arrived at. All this speaks once again in favor of substitution for the principle of unanimity of the majority vote principle and at the same time gives the ruling circles of each country new grounds for fears for the fate of national sovereignty.

A survey of the factors prompting an expansion of the powers of the Community authorities and the incorporation within their jurisdiction of new spheres of policy would be incomplete without regard for the changes on the international political scene. As is known, as of the mid-1970's Washington has adopted a policy of exacerbating East-West confrontation, disrupting the military-strategic parity between the USSR and the United States and a new round of the arms race. This has put the EC countries in a difficult position. As the United States' NATO allies, they all (apart from Ireland, which is not a part of this alliance) display "Atlantic solidarity" with the leading partner with the "nuclear umbrella," which it promises in the event of conflict to open over West Europe also. But as economic rivals of the United States the West European countries are losing much from the spurring of tension in relations with the socialist community and Washington's kindling of the Near East conflict and other aggressive steps of the transatlantic strategists.

In addition, the public and politicians of the EC countries understand increasingly clearly that these strategists view West Europe, like other regions of the world, merely as the arena of the planned "limited" nuclear war, which they hope to win. This became particularly obvious after deployment of the American cruise missiles and the Pershings in the FRG, Britain, Italy, Belgium and the Netherlands began as a result of NATO's dual-track decision.

There has been a considerable narrowing under the new conditions of the West European powers' room for maneuver between "Atlantic solidarity" and their own economic and political interests. It has become far more difficult defending these interests in the confrontation with the United States in isolation. There has been a manifest growth of the need for the Community countries' joint concerted foreign policy, on questions of economic and military-strategic security included.

R. Reagan's "strategic defense initiative," which will ultimately lead to an undercutting of the existing accords on strategic arms limitation and an unprecedented new surge of the arms race, has served as a particularly powerful impetus in this field. But the most important thing is that the "star wars" plan is aimed at the creation of a "space shield" "protecting" the United States and increases the temptation for Washington to launch a first strike against the Soviet Union, from the territory of the said West European countries included. There is thereby a sharp increase in the chance of them drawing onto themselves a retaliatory strike, which would wipe them from the face of the earth several minutes after the White House had resolved to give the fatal command. Under these conditions it has become impossible to postpone any longer the problem of serious coordination of the Community members' foreign and military policy and count on the "special relationship" of this or the other of them with the United States, as also on the mutual foreign policy consultations practiced by these states regularly since 1970.\*

The changes in the economic and political spheres examined above dictate the need for a revision of the "Luxembourg compromise" and an expansion of the powers of the bodies of the Community. Even greater urgency is attached to these imperatives in the light of its new position. Experience testifies that its first enlargement in 1973 increased considerably the zone of differences of the partners' national interests and entailed many acute conflicts impeding the integration process. In 1981 Greece became yet another "willful child," which frequently finds itself in opposition to the majority. It is becoming increasingly difficult to progress, it takes many months and at times years to reach consensus and sessions of the Council of Ministers and even the European Council are becoming an exhausting marathon. There is no doubt that the entry into the Community in January 1986 of the two Pyrenean states, which are in many parameters among the least developed West European countries, will increase the difficulties in the elaboration and adoption of fundamental decisions even more. This is why the end of 1985 was the deadline for Community reform.

#### Much Ado About Nothing

Throughout the past year the Community leadership exerted tremendous effort to reorganize a number of aspects of its activity, from the common commodity, capital and manpower market through foreign policy cooperation. Following intensive bargaining in the course of two top-level meetings (in June in Milan and in December in Luxembourg) and also a multitude of meetings of the Council of Ministers and even a special intergovernmental conference a number of compromises was formulated whose ultimate fate has still to be decided by the 12 national parliaments.

In order to evaluate more correctly the significance of these compromises for the Community it is important to bear in mind that the path to them has lasted 13 years. Back in October 1972, on the threshold of the first enlargement of

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\* Political and economic security aspects also have been present in such consultations since 1981.

the Community, the heads of state and government of the six original members "set as their main goal the transformation of the entire set of relations between the members into a European Union before the end of the present decade (the 1970's--Yu.Sh.) and with full observance of the treaties which have already been signed."\*

It was a question not only of the completion by 1980 of the building of an "economic and currency union," measures to coordinate industrial and S&T policy and the need for a concerted energy, regional and ecology policy on the scale of the region but also of intensification of the so-called "political cooperation" (that is, foreign policy consultations) which had begun 2 years previously. The communique on this meeting observed that "the decision-making and functioning procedures must be improved."\*\* In a word, the need for almost all the measures around which passions flared at the end of 1985 was clear even then.

However, the contours of an all-embracing European Union remained vague. Of course, no one was thinking any longer of a West European federation. Even the ECC, which invariably advocates a strengthening of supranational structures, observed that "the European Union, like the existing Community, is not intended to give birth to a centralized superstate.... This Union will be endowed with responsibility only on questions which the members are no longer in a position to handle sufficiently effectively."\*\*\* But the range of such questions has been sketched quite broadly, including a currency union, "a strengthening of economic and social structures," employment policy and foreign and military policy.

With time the content of the "European union" concept has become increasingly narrow. True, in December 1974 the top-level Paris meeting led to an agreement on direct general elections to the European Parliament, which enhanced its moral status, although barely broadened its rights. The belief was expressed at this same meeting that it was essential to limit use of the right of veto, but things went no further than a declaration.

And when by the end of 1975 Belgian Prime Minister L. Tindemans submitted the report he had prepared on specific ways of transforming the Community into a European Union, following a number of discussions at various levels this document was shelved. The reason was the same: the recommendations which it contained provided for an appreciable broadening of the powers of the Community institutions in questions of economic, foreign and military policy thanks to a corresponding limitation of the powers of national sovereignty. The same fate befell the "Spierenburg Report," which had been prepared by September 1979 and which proposed a change in the role of the EEC, and the report of the "three wise men" submitted in November of the same year.

The Europarlament then joined in the struggle for Community reform. The elaboration of a draft treaty on European union in place of the fundamental

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\* BULLETIN OF THE EUROPEAN COMMUNITIES, October 1972, p 23.

\*\* Ibid., p 22.

\*\*\* "The European Union". Report of the Commission of the European Communities. Supplement 5/75 to the BULLETIN OF THE EUROPEAN COMMUNITIES, Brussels, 1975, p 10.

treaties on the ECSC, the EEC and EURATOM began here in 1980. The final draft of the treaty, which was approved by the Europarlament in February 1984, provided for changes in the distribution of power among Community authorities, including a division of legislative functions between the Parliament and the Council of Ministers. An expansion of the instances when decisions are adopted by majority vote and the eventual removal from the practice of the Council of Ministers of the principle of unanimity were planned.

As of the end of the 1970's the more pragmatic figures of the Community, considering that the prospects of European union were intimidating the public and hampering the integration process, have begun to incline toward an interim version of a solution. It is in this plane that we should view the initiative of West German Foreign Minister H.-D. Genscher concerning the conclusion of a provisional "European Act," which after about 5 years could have been replaced by a treaty on European union. This proposal, which was advanced in 1981 (Italian Foreign Minister E. Colombo subsequently associated himself with it), provided for the institutionalization of the cooperation of the Community states in the sphere of foreign and military policy, a return to the broader application of the principle of majority vote in the Council of Ministers, a stimulation of cultural relations and certain other measures.

But speeches in support of a treaty on European union continued simultaneously. At a session in Stuttgart in June 1983 the European Council adopted a solemn declaration on European union, which proclaimed the resolve "to undertake a broad action to provide the European community with a new start."\* A year later two committees were established to draw up specific measures for the purpose of advancement toward European union.

One of them, chaired by prominent Irish politician (Dzh. Dug), had prepared by March 1985 a comprehensive plan providing for the political unity of the Community, "which has the powers to adopt decisions on behalf of all citizens (via the head of the governments of the participating countries!--Yu. Sh) by means of the democratic process in accordance with their common interests in the sphere of political and social development, economic progress and security and according to procedures which could vary depending on whether they pertain to intergovernmental cooperation, the treaty structure of the Community or new instruments which have yet to be agreed."\*\*

The other committee under the chairmanship of the Italian politician P. Adonnino drew up proposals concerning the flag and anthem of the Community and also measures to facilitate contacts, tourism and the movement of persons from one country to another for business purposes.

As distinct from the proposals of the second committee, those of the first came up against the opposition of London, Dublin and Athens and the uncertain position of Denmark. Considering that there remained some 6 months until the end of 1985, on the eve of the Milan session of the European Council the FRG

\* "Keesing's Contemporary Archives," Vol XXIX, London, 1983, p 32404.

\*\* "European Communities Commission Background Report," B/2/1985, 30 January 1985, p 1.



and France submitted a joint draft representing a considerably emasculated version of the (Dug) committee draft. An even more truncated version precluding the signing of a new treaty and leaving untouched the power-sharing among the existing institutions was proposed by Great Britain.

The disagreements which had arisen in Milan were settled with difficulty, although not completely, in the course of a number of meetings of the Council of Ministers and also an intergovernmental conference in September 1985. Only at the Luxembourg session of the European Council following 2 days of debate did toward dawn on 4 December 1985 the contours of the agreement toward which the Community had been advancing for 13 years become clear.

What are these contours?

First, only memories remain of the plan for all-embracing European union. Instead of replacement of the three current treaties it was decided to make certain changes to the wording of the Treaty of Rome on the establishment of the EEC and conclude an additional treaty on the members' cooperation in the foreign policy sphere.

Second, the modification of the institutional system was reduced to the minimum. The executive powers of the ECC and the conslulative powers of the Europarlament (in questions of the organization of a uniform "domestic" market and cooperation in the technology sphere) are broadened somewhat. But the correlation of forces between the supracstate and interstate institutions remains unchanged. The European Council and the Council of Ministers continue to have the final say.\*

As far as the voting procedure in the Council of Ministers is concerned, unanimity is replaced by a necessary majority only when decisions are being made on a very limited range of questions. This will apply primarily to the rapprochement of national legislation for the purpose of creating a "uniform domestic market," but in far from all cases. Problems of leveling indirect taxation and ensuring citizens' free movement will be decided, as before, on the basis of unanimity. It is also proposed employing the necessary majority when elaborating individual specific programs in the sphere of S&T cooperation (the fundamental long-term programs, however, are here also to be adopted unanimously). Finally, it is proposed introducing this principle of voting when deciding questions of an improvement in workers' labor and safety equipment. Britain and Italy had advanced reservations in the latter case, incidentally.

Thus the simplification of the voting procedure concerns by no means the areas of economic policy which today determine the fate of the national economies and the Community as a whole. Policy in the currency-credit, budget, industrial, S&T (in the fundamental part thereof), fiscal and many other spheres will, as before, be elaborated and realized on the basis of unanimity, in other words,

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\* The members of the Europarlament were insulted by the so dismissive attitude toward their aspiration to actively influence the formulation of decisions. By an overwhelming majority this decorative forum on 12 December 1985 rejected the planned reform which had been agreed on in Luxembourg.

extremely slowly and with a multitude of obstacles and postponements, which, with the entry into the Community of two new countries, will undoubtedly increase.

Third, it was only possible to outline any in any way serious steps when it came to perfecting the joint market. The proclaimed task is that of having created by the end of 1992 a "uniform domestic market" representing economic "space without internal borders within whose framework the free movement of commodities, manpower, services and capital will be catered for". In a word, history is repeating itself: as at the start of the path, the partners are proceeding along the line of least resistance and negotiating rules of "noninterference" in the play of market forces, thereby unleashing spontaneous processes which have already caused integration considerable harm in the 1960's and 1970's.\*

As far as progress toward economic and currency union, which presupposes the coordinated or even joint "intervention" of these states in economic life, is concerned, everything here was reduced basically to general declarations or decisions of a formal nature. Thus it is proposed incorporating in the body of the Treaty of Rome mention of EMS and the ECU and also the extension of the Community's powers to questions of technical progress and environmental protection (with which it has long been de facto involved). In respect of social and regional policy the repeated declarations concerning the need "to promote an improvement," "strengthen," "increase the efficiency" and so forth are reiterated. On the cardinal issue, however, of currency integration--the creation of an ECU with broad supranational rights--not a single step of progress was possible.

Fourth, as mentioned above, a special agreement was concluded on foreign policy cooperation providing for a certain institutionalization of this cooperation, which has been practiced for 15 years now, and also the establishment of organizational ties between the system of "political cooperation" (it is, as before, in principle outside of the Community's organizational framework) and the European Council, which previously also informally led the coordination of the members' foreign policy positions.

So the Community's institutional system has remained untouched and the decision-making process in the Council of Ministers has undergone very limited modifications, which if they enhance the efficiency of the regulation of economic life at all, it is only in a narrow and, as a whole, secondary sphere. The measures outlined for the coming 7 years provide no guarantee that by the end of 1992 a truly common market will have been created. It is equally very doubtful that the present "reform" will help move currency integration from standstill and provide for joint S&T and industrial policy. And, what is most important, it is still not known whether this latest "package deal" will be ratified by all the members' parliaments. If just one of them turns it down, the 13 years of efforts will have been fruitless.

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\* See Yu. Shishkov, "Capitalist Integration: Anatomy of the Contradictions" (MEMO No 5, 1979, pp 87-107); *ibid.*, "Certain Economic Consequences of the Formation of the EEC" (MEMO No 11, 1982, pp 120-125).

In conclusion it is not inappropriate to cast a retrospective glance at the history of the ambitious plans for the "unification of Europe". In the 1950's: the firm goal of a "United States of West Europe" and confidence that it would be precisely such. In the 1960's-start of the 1970's: a change of reference point: not a federal superstate but some vague, but "all-embracing" European union. In the 1970's-start of the 1980's: bifurcation of the reference point: the European union slogan had not yet been removed, but drafts of an interim "European Act," more modest in scale and form, were being elaborated. The mid-1980's: stunted "reform" making small adjustments to routine practice which had long since proven its inefficiency. But even this cosmetic overhaul of the cumbersome and crack-abounding structure is giving rise to reservations and objections and could be derailed altogether by the members of parliament of any participant. In a word, much ado about nothing, as P. Pflimlin, chairman of the Europarlament, observed.

None of this, of course, means that integration is deadlocked and that one fine day the Community will collapse under the weight of accumulated problems. The coupling of the national economies has progressed sufficiently far here for the participants, particularly the members of the Nine, which existed prior to 1981, to be able to painlessly "disperse around the national apartments". The irony of fate is that they can no longer "obtain a divorce" and are condemned to tolerate one another and quarrel and make up, spending many years, sometimes decades even, as in the case examined in the article, on a search for empty compromises.

The danger lying in wait for the Community, which is frozen in its original institutional-legal forms, is evidently not that it could come to a halt in its evolution but that this evolution itself will take a path not foreseen by its organizers.

If we glance at the history of West European integration, it is not difficult to discern that it has developed not so much in line of ascent, toward political union, but in breadth. Such development is fraught with the danger that quantitative growth could lead the Community to a qualitatively new state, where the possibility of even cachectic compromises will diminish to nothing. But inasmuch as such stagnation in the political sphere would be tantamount to its decomposition, an alternative path seems increasingly likely. It was suggested for the first time by W. Brandt back in 1974 and subsequently proposed in the L. Tindemans report and the Genscher-Colombo Plan. It is a question of separating the grouping into two, possibly, three echelons displaying a differing readiness to move forward along the path of integration.

The symptoms of such a stratification have long been observed. Italy and Denmark have repeatedly imposed special protective import duties at the borders with other partners, which is tantamount to their partial withdrawal from the Common Market. The pound sterling and the Greek drachma take practically no part in the currency stabilization mechanism, and the Italian lira is included therein symbolically, in the main. Britain contributes far from its full share to the Community budget. Considerable exemptions in this plane are envisaged for Portugal also. So the prerequisites for a "two-speed Europe," as journalists have christened this prospect, exist.

The leading pair currently are the FRG and France, which demonstrate their unity on each convenient occasion. They are followed more or less obediently by Italy and the Benelux countries. As far as Britain, Ireland and, particularly, Denmark and Greece concerned, in the majority of cases they are displaying an unwillingness for too close "European unity" in either the economic or, even less, political spheres. With the entry of Spain and Portugal this opposition group will possibly be reinforced. In a word, the prospect of a differentiation of the integration process and its assumption of a graduated form, as it were, when the nucleus of the grouping will proceed further along the path of integration than its peripheral echelons, is becoming increasingly real. Such a graduated model will perhaps facilitate a way out of the current difficulties, but will hardly bring closer the cherished goal--the achievement of the economic and political unity of "little Europe," of which it is so lacking in the modern world, which is complex and full of contradictions.

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## WESTERN COMPANIES' STRATEGY FOR ASSIMILATING NEW TECHNOLOGY

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86 (signed to press 13 May 86) pp 54-64

[Article by A. Sterlin: "The Role of Innovations in the Economic Strategy of the Major Corporations"]

[Text] Capitalist firms' innovation policy under the conditions of the S&T revolution has become a decisive instrument of competitive struggle both between the national monopolies of the bourgeois states on the home markets and between the transnational corporations on the scale of the world capitalist economy. Correspondingly the role of S&T factors in the shaping of the general long-term strategy of the corporations' economic development has increased immeasurably. The problem of management of the process of innovations is seen in the contemporary theory and practice of bourgeois management as a task of the goal-oriented comprehensive management of the entire activity of an industrial firm. The reference point of management of the innovation process is the elaboration of corporate strategy of S&T development.

### Strategy of Innovation Activity as a Component of a Firm's Economic Policy

The strategy of S&T development in the modern capitalist corporation is elaborated under the influence of general corporate economic policy and its main ingredient--the policy of diversification and intensification of the market orientation of the firm's entire production-economic activity.

Processes of the firm's interaction with its external environment are moving to the forefront. As the American scientist G. Mintsberg observes, the formulation of strategy includes an analysis of the external environment and the elaboration of organizational decisions concerning interaction with it. The attention of the company's top management here is concentrated, as a rule, on the following questions: what phenomena are the basis of competition in the given sector (or in the sector in which the firm intends to take root), in what actions could competitors engage and what should the response to them be, what are the prospects of the sector's development and what steps should the company take to ensure long-term success in the competitive struggle.\*

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\* See M.E. Porter, "Competitive Strategy," New York--London, 1980, p XIII.

Thus the firm's goals and the strategy of resource distribution elaborated in accordance therewith are largely determined by the economic and social environment in which it functions.

In the sphere of R&D the corporation adopts decisions concerning the directions, volume and structure of R&D, the timeframe for obtaining practical results and the possibilities of their use. Decisions concerning diversification are directly linked with R&D strategy. The choice of the directions and means of growth thanks to penetration of spheres of business new for the company (by way of the organization of its own R&D and the acquisition of patents and licenses and merger with other firms or their acquisition) is the prerogative of the top management of the corporation. Not exaggerating the actual state of affairs unduly, the well-known American specialist G. Steiner writes that the major capitalist enterprise must either diversify or die.\*

At the basis of diversification decisions is a multitude of diverse factors: the aspiration to growth (more often than not by means of a merger with other firms), an attempt to avoid dependence on single-sector production, a desire to ensure stability of income by way of a transfer of capital to sectors with more propitious conditions for accumulation and others.

Diversification may be practiced on the basis of the development of one's own R&D and the subsequent organization of the mass manufacture of a new product and the servicing of a new market for the company, by way of the acquisition of S&T knowhow or by means of a merger with other firms. The annexation of other firms by means of financial manipulation may prove, as the rapid growth of conglomerates in the 1960's--start of the 1970's and the new wave of mergers on the eve and at the outset of the 1980's demonstrated, a far more rapid way to diversified growth than an orientation toward introduction of the results of R&D. However, experience shows that the attempts to implement a uniform financial, S&T and marketing policy for separate works encounters difficult obstacles. One of the main ones is the inefficiency of the use of S&T potential and the difficulty of achieving a synergetic effect from application of the results of R&D in different sectoral and subsectoral divisions of the company. According to a number of empirical studies, the most efficient direction of diversification is the penetration of sectors which are related to basic production. This is brought about primarily by the fact that the firm, availing itself of accumulated production and marketing experience and S&T potential, acquires an opportunity to overcome comparatively easily the barriers in the way of penetration of the new sphere. On the other hand, the assimilation of heterogeneous types of business lowers the efficiency of capital. From 1967 through 1977 the average stock earnings of the 36 biggest broadly diversified corporations in the top 500 U.S. industrial firms were 20 percent lower than the average indicator for the entire group.\*\*

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\* See "Corporate Strategy and Product Innovation," ed. R.R. Rothberg, New York--London, 1976, p 121.

\*\* See HARVARD BUSINESS REVIEW, Jul-Aug, 1978, pp 167, 172.

Business theorists recommend a "product mix" which would enable the firm to make the most efficient use of resources and the benefits of its market position and ensure a steady rate of expansion of production and profits. This requirement determines the direction of research to a certain extent and its volume and intensity. There is also, of course, the inverse dependency: the possibilities of diversified growth are largely determined by the accumulated R&D potential, the directions of research and the knowhow and skills of the S&T personnel.

At the same time, however, it should be emphasized once again that at management's disposal there are other, relatively less science-intensive ways of breaking into new sectors. For example, General Motors' strategy for the 1980's is based on the creation of its own capacity for the production of industrial robots both for their extensive application in intra-company operations (primarily in auto assembly) and also for sale to other companies. The construction of a plant for the production of robots and the allocation of all the necessary technology has been undertaken by the Japanese Fujitsu (fanuk).

In putting its hopes in a new product a firm may acquire its key components from other producers and concentrate its own efforts on an improvement in its outward appearance, a new configuration of the product or the ascertainment of new spheres of its application. Such a strategy, for example, was pursued in the 1970's by many Japanese electronics companies producing desk-top calculators using American computer chips and other components.

When adopting strategic, particularly diversification, decisions a firm is guided primarily by purely pragmatic considerations ensuing from its private-capitalist interests. The intensive use of R&D potential here far from always corresponds to the criteria of specific capitalist efficiency. This conditions the subordination of innovation decisions to financial considerations.

The work of all subdivisions is geared to the accomplishment of the main tasks of the capitalist firm--maximization of profits in the long-term aspect and capital growth. Today's major corporations elaborate strategy not only for the organization as a whole but also for various functional fields (marketing, personnel, R&D) and also the decentralized production-economic subdivisions. It should be borne in mind, however, that the deterioration in economic conditions as of the mid-1970's has undermined even more the possibilities of the long-term planning of corporation activity. They have begun to gradually depart from the practice of rigid, formalized planning, the elaboration of long-term strategy and the centralization of this activity at the level of the top management of the concern.

The policy of the production branches, which performs a subordinate role in relation to the overall activity of the corporation, is not always geared to profit maximization at each given moment. Under certain conditions dictated both by market circumstances (preservation of unprofitable production, for example, in the expectation of an upturn in a given sector) and an orientation toward long-term efficiency (in the event, for example, of high production and marketing costs in the early phases of the introduction of a new product and an expansion of a controlled share of the market) headquarters sets them different tasks, and their activity and satisfaction of current financial

obligations are exercised thanks to a redistribution of income from fields characterized by high profitability. Of course, this is only possible in cases where the corporation management is convinced that the economic indicators of the sum total of types of business in which the firm's capital has been invested will ensure achievement of the main goal--an acceptable norm of earning power from the invested capital within a certain period.

Together with the endeavor of a firm's management to subordinate the activity of the production-sales subdivisions to general organizational goals there has been an increasingly strengthening trend in recent years toward the transfer of important strategic functions to the basic management component level. This process reflects on the one hand recognition of the need to enhance the flexibility and speed of response to changing market conditions and, on the other, the increased opportunities for the decentralization of management. They are connected primarily with the sharp increase in the scale of application of information technology resources, the acceleration of the adoption of operational decisions and their increased substantiation (thanks to the enlistment in the decision-making process of the managers of operational components) and so forth. But the main thing is that decentralization has been the response to the deterioration in economic conditions and the practical impossibility of employing long-term strategic plans in corporate management.

At the stage of preparation of planning decisions the top managerial personnel in the corporation's headquarters and in the branches does not confine itself to an assessment merely of the external conditions of competition. The task is supplemented by an analysis of sales markets and determination of the correspondence of the assimilated product to market demands and also the company's material-financial and S&T possibilities. In other words, the basis of the adoption of a decision on the distribution of a corporation's resources among various market-product combinations is a preliminary analysis of a number of circumstances. Primarily the necessary volume of financing of the production and marketing of each type of product and the attractiveness of the sales market of each type of market from the viewpoint of its contribution to the achievement of the company's financial goals. And this, in turn, means that a program is drawn up for each type of product which attempts to provide for all the production-economic and organizational-managerial measures essential for maintaining its competitiveness for as long as possible. S&T measures stand out among the basic components of such a program.

The exacerbation of competition was reflected in the spread of the market style of management oriented toward marketing. Its essence does not amount simply to an orientation toward the demands of the consumer nor, even less, toward social requirements. Even the avowedly apologetic theories of management do not set such a task. Marketing-oriented management is interpreted by bourgeois theory as an approach adopted by companies which find themselves in certain economic conditions. For example, when in a sector characterized by the existence of two or more strong competitors the supply of a certain product exceeds or could exceed demand therefor; or the consumer's degree of freedom of choice of the time, place and cost of purchase is relatively great. The nature and degree of marketing orientation of a specific company are thus dependent on the requirements of its clients and customers and the



capacity of its competitors to effectively satisfy them. The strategic need for innovations as a reaction to consumers' new product needs and requirements is connected with this. The British scholar G. Foxall points to the trend spotted by a number of Western specialists and demonstrated by many American and British firms toward the concentration of attention on making tiny modifications to products.\*

It is not difficult to observe that the marketing approach to management represents a variety of the theory of adaptation of capitalist enterprise to the changing conditions of the external environment (social requirements included). And although the theoretical constructions of the defenders of the marketing approach make no direct mention of the firm's orientation toward satisfaction of social requirements, the idea of innovations as the main means of the organization's adaptation to the changing conditions of the functioning and demands of external contracting parties is made the cornerstone.

However, adaptation by no means signifies business' endeavor to engage in R&D for the sake of satisfying requirements arising in society or individual consumers. On the contrary, owing to the increased riskiness of R&D, management, as a rule, endeavors to ignore as far as possible the need to invest capital in this sphere. And it is only when threatened with the firm's loss of competitive positions that management consents to the use of innovations.

The increased need for the adaptation of innovation activity to the demands of the market and the external environment also influences the allocation of responsibility for the adoption of decisions on the implementation of S&T programs. Apart from corporation headquarters and the central R&D subdivisions, the bulk of strategic powers is transferred to the management of the basic production component. Management thereby endeavors to increase the promptitude of the response of the organizational system to outside influences. We see here the distinction between modern corporate practice and the experience of the 1950's-start of the 1970's.\*\* At that time the operational independence of the decentralized subdivisions was not underpinned either by the corresponding incentives or sufficient resources for the accomplishment of strategic tasks of S&T development in certain market-product segments.

The S&T strategy of Japanese firms merits particular study. It is a means of realization of the overall economic policy of the major corporations, whose basic long-term goals are a lowering of production costs, a constant increase in the controlled share of the market and the achievement of superiority to competitors in terms of product quality. Their S&T strategy was for a long time oriented toward the use of borrowed (predominantly abroad) S&T knowhow and achievements; selectiveness of the development of the directions and stages of R&D; and an intensive rise in the engineering level of production.

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\* See G. Foxall, "Corporate Innovation: Marketing and Strategy," London and Canberra, 1984, pp 251-252.

\*\* See, for example, V.D. Khartman, V. Shtok, "Critical Analysis of the Bourgeois Theories and Practice of the Management of Industrial R&D," Moscow, 1979, p 112.

A number of factors and conditions of management specific for Japan on the one hand conditioned the existence of the said singularities and, on the other, ensured the opportunities for their realization.

It should be mentioned first of all that a considerable proportion of the total financing of R&D in Japan is effected thanks to the resources of private companies. At the end of the 1970's this proportion was close to 65 percent, whereas in the United States it constituted 46, in the FRG approximately 56 and in France little more than 41 percent.\*

Of course, these capital investments are channeled mainly into the realization of specific S&T projects of an applied nature distinguished, as a rule, by a low degree of risk and of certain commercial ends. A large part of the corporate R&D budgets is spent on the improvement and adaptation of technology acquired by the firms to the specific conditions and demands of production processes.

Japan's selective S&T policy, the concentration of forces and resources in certain directions of the development of science and technology and also the borrowing of S&T achievements, refracted at the corporate level, assume the form of uneven distribution of resources and attention of firms' management per stage of the scientific-production process and the life cycle of the product.

Considering that the initial stages of a product's life cycle are connected with the uncertainty of its technical parameters and the market reaction, for many postwar years Japanese corporations concentrated efforts on the manufacture of products which had already proven their commercial profitability. Making tiny and even "cosmetic" engineering changes to such products, Japanese firms rapidly adapted them to the new sale conditions. This enabled the corporations to build up the manufacture of products at an accelerated pace and achieve a reduction in the price thereof thanks to a lowering of costs as a result of economies in the scale of production.

Japan's economic growth has slowed as of the mid-1970's. An aspiration to hold on to the former level of competitiveness on foreign markets forced Japanese firms to actively introduce the latest means of automation, primarily industrial robots. Having copied the first American models and having organized their production exceptionally quickly, Japan had by the start of the present decade become the world leader in terms of the scale of the national robotics pool.

A number of factors is at the basis of this process. First, state support for firms in the sphere of the robotization of production in the phase of the designing and development of experimental models. Second, the considerable capacity of the domestic robotics market connected, in particular, with the fact that with the change in the latter half of the 1970's in the economic and also a number of socio-demographic conditions of the country's development application of the former methods of reducing production costs has become more difficult. Third, the practice of the transfer of employees superseded

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\* M. Boisot, "Intangible Factors in Japanese Corporate Strategy," Paris, 1983, p 43.

by more productive equipment from the head company to its branches and also to mid-sized and small companies linked to the head company by close subcontracting relations and a common trade union organization.\*

An important factor determining the specifics of S&T policy is the structure of the finances of Japanese firms, the bulk of which is occupied by commercial bank credit. As the main creditors of the corporations, the banks have an interest in preservation of the long-term financial stability of their borrower-clients and not in the maximization of their short-term profit.

The corporations' economic success in the long term is achieved by way of pursuit of a policy of growth and an expansion of the sales markets thanks to an increase in the volume of production and a simultaneous reduction in the price of a commodity. On the other hand, short-term profitability is ensured by means of a price increase, given a reduction in the volume of manufacture. But this strategy on the part of some producers is leading to an increase in the production costs of other companies which consume their products and a reduction in their profitability. And this is contrary to the interests of the main investors. In other words, the persons who really control the activity of Japan's biggest firms have an interest in a buildup of the production of relatively inexpensive, but high-quality commodities. Realization of this policy is possible primarily by way of the introduction of more productive technology--transfer machinery, multifunction robots and flexible production systems.

#### Types of Innovation Strategy

Firms' S&T programs may conditionally be divided into measures to improve a list of products which has already been assimilated and engineering processes which have been introduced and programs of the assimilation of new products and processes. The first are geared to an improvement in the quality specifications (within the limits dictated by economic expediency, of course), a quest for possibilities of an improvement in production techniques and a lowering of costs and a search for new spheres of application of technical novelties which have already been developed. The task of the second consists of creating new products in spheres of business which have already been assimilated or which are new to the companies. In respect of assimilated products, a reduction in all costs connected with their production and marketing and product differentiation.

The strategy of lowering costs or "cost leadership" requires the mass introduction of economical equipment and technology, the establishment of control over direct expenditure and overhead and a reduction in spending on R&D, advertising, maintenance and so forth. From the viewpoint of the conditions of competition the achievement of sectoral leadership in terms of costs requires control over a relatively high share of the market, particularly favorable conditions of access to raw material resources and so forth. For an increase in the volume of production the marketing of the products is extended

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\* Japanese trade unions are organized not along sectoral but along firm lines.

to new groups of consumers. At the same time, however, following a cost-reduction strategy could require for the sake of an increase in the controlled share of the market considerable initial investments in advanced technology and equipment, aggressive, dumping price-forming and, consequently, probable losses in the first period of marketing of the products. In turn, the high share of the market makes it possible to economize on purchases of raw material and components. The achievement of "cost leadership" and, consequently, a higher level of profit provides additional resources for the modernization of production capacity and the possibility of retaining this leadership.

For example, the American Harnischfeger company, which is among the top 500 industrial corporations of the United States and which manufactures special cranes for operating on rugged terrain, controlled at the end of the 1970's 15 percent of the corresponding American market. A change in product design and a switch to modular configuration of the components and units made it possible to facilitate the production process and maintenance of the finished machines and also reduce material consumption. The organization of production was upgraded also. Orders for big consignments of the components also contributed to a lowering of expenditure. As a result the company was able to lower the price of its products by an average 15 percent and increase the controlled share of the market to 25 percent.

The purpose of product differentiation strategy is to create a unique product within the framework of a given sector or subsector. These could be differences in design (the Mercedes company, for example, in auto manufacturing); production engineering and forms of serving the consumers (the Crown Cork corporation in the production of metal containers); the dealership system (Caterpillar Tractor); and such. This strategy is not counterposed to an endeavor to reduce costs. On the contrary, the effectiveness of differentiation is directly connected with relatively low unit outlays.

Differentiation sometimes prevents the capture of a market, and not only because the unique nature of the commodity is incompatible with big sales. Greater importance is attached to the fact that differentiation is usually achieved thanks to a real or imaginary increase in the product's prime costs owing to increased expenditure on the research, development and designing of products and also the use of higher-quality materials and an improvement in the marketing system and the quality of after-sales service. It is frequently secured thanks to nontechnological factors (advertising, delivery, service) and for this reason does not alter the properties of the commodity. But as L. Steele, a leading employee of General Electric's corporate R&D service points out, the influence of differentiation on profits is no less real because of this than that brought about by technology.\* The need for differentiation is manifested particularly palpably under conditions of market saturation or given a decline in products' competitiveness owing to increased costs. This strategy as a whole orients R&D toward small-scale, inessential developments, thereby diverting it from major research. In this sense a policy of lowering costs is more promising, although the

\* See L.W. Steele, "Innovation in Big Business," New York--Oxford--Amsterdam, 1975, p 58.



contradictoriness of the capitalist production mode is manifested acutely here: the need for R&D, for example, in the sphere of an upgrading of production engineering processes comes up against the opposition of the general trend toward a reduction in all outlays, on R&D included.

Despite the fact that product differentiation and a reduction in outlays may coexist and, what is more, complement one another, for many firms and individual directions of their economic activity the choice often amounts to the "cost reduction or differentiation" dilemma. The strategy of the main competitors on the world capitalist truck loader market may be cited as an example. The major American producer--the Clark Equipment concern--which in the 1970's controlled 18 percent of the world and 33 percent of the American market, lacked a precisely expressed orientation, manufacturing a multitude of truck loader models and modifications. Having achieved a high degree of product differentiation, the firm took practically no steps in the direction of a reduction in the costs and a rise in the engineering level of its products.

At the same time both leading Japanese competitors--the Toyota and Komatsu corporations--were building up the production volume and reducing costs, which led to a reduction in the price of their products. Clark Equipment's main American rival, the (Khister) firm, on the other hand, had specialized in the production of heavy truck loaders, actively striving for an engineering upgrading of the products thanks to intensive and large-scale R&D. As a result the financial and economic indicators of the Clark Equipment corporation proved less favorable, and its market positions deteriorated sharply.

Not only intra-firm plans of the long-term development of production but also outside factors and contracting parties--the company's competitive position and also relations with the consumers of its products--serve as the sources of information for choice of directions of R&D. The nature and seriousness of the competition in the sector and the firm's economic policy are interconnected and mutually conditioned--although for the majority of firms (among the outsiders) the main factor determining their economic behavior is the market. In the theory and practice of capitalist management two classes of economic policy are distinguished in this connection, an inalienable component of which is to a greater or lesser extent innovation activity--defensive and offensive. Several types (versions) are distinguished also: defensive--strictly speaking, defensive strategy, imitation, temporizing, "immediate response"; offensive--active R&D, orientation toward marketing, mergers and acquisitions.

The practical application of this type or the other depends on many internal and external circumstances, the firm's goals in respect of specific products and markets, phases of products' life cycle, the actions of competitors and so forth.

All types of defensive strategies--with the exception of "immediate response to the consumer's requirements"--are essentially a reaction to the actions of competitors and only indirectly, refracted via the prism of these actions, a response to consumers' requirements and behavior.

Defensive policy is employed by firms to counter competitors endeavoring to take root in a given market with similar or new products. The purpose is to create for the competitors unacceptable conditions of continued struggle or to implement measures making it possible to reorganize for the manufacture of a competitive commodity without an appreciable loss of positions already won. It is usually realized in the form of short-term, tactical actions. Attempting in the mid-1970's to penetrate the North American electronic clock market, the Gillette corporation initially managed to capture a significant share of the test markets. However, the vigorous actions of the Texas Instruments company, which sharply lowered prices at the same time as actively technically upgrading the products, forced Gillette to abandon further struggle.

Imitation consists of copying innovations developed by competitors (more precisely, the fundamentally new ideas contained in them) and presupposes an aggressive marketing policy. It is accessible to firms with considerable resources and the production capacity necessary for the mass manufacture of the copied product and its sale usually on the markets which have not yet been captured by the pioneering company. At the same time the imitations sometimes (and this practice is becoming increasingly widespread primarily owing to the "piratical" simulation of certain trademarks by semilegal firms) are in direct competition with the original articles.

For example, lagging behind the sectoral leader--the IBM corporation--in the minicomputer sphere, the Texas Instruments company essentially copied one of its most successful models, making just negligible additions. Furthermore, Texas Instruments employed a more accomplished and less expensive microprocessor manufactured by its principal competitor on the microprocessor market--Intel. This enabled Texas Instruments to put its own model on the market, but 20 percent more cheaply.\*

When copying competitors' products, expenditure on R&D and risk are reduced, but profits are small also inasmuch as the "imitators'" costs are very considerable, and they have to be content with small shares of the market.

Temporizing strategy is aimed at an even greater reduction of risk in innovation activity. It is adhered to in instances where the uncertainty of the economic situation and consumer demand is particularly high. The imitator-firm endeavors to deliberately let the competitor "through". He thus carries the main burden of costs connected with the development, testing and marketing of the innovation. The purpose of this strategy is to satisfy oneself as to the stability of demand and develop production and marketing at the quantitative and qualitative level which will make it possible to surpass the "pioneer". Recourse is had to it by many companies, regardless of size. The big ones conscious of their power and capacity ultimately for suppressing the innovator-firm; the relatively small ones seeing it as the sole chance of penetrating a certain market. Great significance is attached at the time of implementation of a temporizing strategy to the choice of the time of the start of active retaliatory actions: emergence too early is dangerous owing to the likelihood of the market not being ready for a given commodity;

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\* See BUSINESS WEEK, 14 February 1983, pp 55-56.

tardiness leads to the pioneer company entrenching itself on the market and its products enjoying increasingly great popularity and being sold via the most profitable and prestigious channels of the distribution network.

The innovation-imitation and temporizing strategies are subject to the influence to a great extent of market factors, which under the conditions of the uncertainty inherent in the capitalist economy increases the risk of their application. Attempts to lower it are expressed in the corporations' creation of developed systems of the collection of data on competitors, sales markets and such. It is primarily the marketing services, R&D and retail trading enterprises which undertake such "intelligence".

The majority of the medium-sized and small firms employing a defensive strategy are oriented when creating their assortment program toward stronger competitors. The latter, however, possessing considerable resources, may incorporate in the structure works which are unprofitable or even loss-making at a given moment which, however, are essential from the viewpoint of the survival and long-term development of the entire organization.

The predetermined nature of the assortment program and the comparatively low level of earning power of firms adhering to a defensive policy prescribe the focus and structure of expenditure on R&D. The strategy of innovation activity of such firms is usually oriented merely toward imitating competitors' products, which combined with the limited financial possibilities reduces its strategic horizon to several months.

Finally, the last of the defensive strategies category--"immediate response to consumers' needs and requirements"--is employed most extensively by the producers of industrial equipment working, as a rule, to individual orders and sometimes to clients' plans and specifications. In these cases the user-company itself often develops the concept of an innovation, creates experimental models thereof and conducts tests. This approach does not require any significant application of the producer-company's S&T potential and has practically no influence on its R&D strategy. The strategy of innovation response is employed mainly by small, narrowly specialized firms or subdivisions of large concerns capable of flexibly and dynamically reorganizing production and S&T programs in accordance with incoming orders.

The extensive practical application of defensive strategies is, we believe, a direct consequence of the spread of the marketing approach to the management of economic activity. Its use affords a firm the possibility of obtaining a satisfactory norm and mass of profit; it is a path removed from the risky investment of capital in the search for and development of S&T innovations. Thus the market concept of management, diverting the research, development, testing and engineering potential of many industrial companies from promising, important R&D, is limiting the development of S&T progress in capitalist countries to a certain extent.

The differences among the offensive strategies are not as sharp. But they all have a number of features in common: they require large investments in R&D and for this reason are accessible mainly to the leading monopoly

associations distinguished by a stable financial position, highly skilled managerial and S&T personnel and a willingness to take risks. Particular mention should be made of the latter circumstance inasmuch as a firm pursuing an aggressive innovation policy encounters not only the increased uncertainty of the results of research and commercialization of the innovations but also risks violating official legislation in the sphere of environmental protection and consumer protection and also antitrust laws. This could entail a ban on production of the innovation, major expenditure on modifications and finishing and substantial fines.

Capitalist practice knows of numerous examples of firms manufacture of commodities which were substandard and even dangerous to health and producers deliberate lowering of the quality of products to speed up their depreciation and obsolescence. According to official data, 25-30 million Americans suffer injuries every year in the process of the operation of consumer goods, and of these, 110,000 persons suffer serious injuries and 30,000 die. Annual losses connected with this are put at \$5.5 billion.\*

The initial risk contained in offensive innovation strategies results in a manifold profit in the event the innovation is successful. The first supplier of the innovation acquires an opportunity to capture a predominant share of the market and derive superprofits for a certain time and may subsequently look forward to production with lower costs than his competitors. This strategy was successful for IBM in the production of computers, Texas Instruments in computer chips and other electronic components, Xerox in duplicating and copying equipment, Polaroid on the cameras market, Hoffmann-La Roche in pharmaceuticals and du Pont de Nemours in chemical industry.

An offensive strategy may be implemented not only thanks to active in-house R&D but also by means of mergers and acquisitions of other firms and aggressive marketing policy. The basis thereof is the purposeful and energetic ascertainment of market requirements and their artificial creation and satisfaction with the help of innovations both developed within the firm and acquired from other producers.

Differences in the internal and external economic and social conditions of the functioning of individual firms and their subdivisions are expressed in the diversity of their operational goals and strategies of achieving them. The dependence of the latter on the destabilizing influence of a market subject to sharp fluctuations and other external factors makes the consistent implementation of the general long-term economic policy of a firm and individual functional strategies difficult. What has been said also applies fully to the strategies of innovation activity, which is an integral part of the policy of capitalist firms. Reproduction in the intra-firm economic mechanism of the shortcomings and contradictions of the market economy results for the majority of small and a number of medium-sized firms in the inevitability of the orientation of their S&T activity toward a search for possibilities of the assured acquisition of satisfactory profit levels thanks to short-term programs and operations characterized by a low degree of risk.

\* See "American Bourgeois Management Theories," Moscow, 1978, p 304.



The need for substantial investments in large-scale and long-term R&D and also big initial outlays connected with the production assimilation and commercialization of cardinal innovations put the leading concerns in an exclusive position in the industry of capitalist countries. Exploiting the achievements of S&T progress, capitalism is endeavoring to achieve not only the economic but also political goals which it needs.

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## INDIA'S PRO-CAPITALIST ECONOMIC POLICIES CRITICIZED

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[Article by A. Granovskiy, G. Shirokov: "India--Current Stage of Economic Development"]

[Text] Appreciable changes occurred in the first half of the 1980's in India in the system of social reproduction. They were the result of the technical-economic and social disproportions which had built up earlier and changes in the alignment of socio-class forces, the nature of the state's economic policy and the action of spontaneous market regulators and also in foreign economic conditions of development.

What are the mechanism of these changes and the place of the present stage of economic growth in the broader context of the country's socioeconomic evolution in the post-colonial period?

### I

The development of capitalism on the basis of the breakup of the colonial structure of the economy accelerated in the years of independence. By the start of the 1980's a national system of capitalist reproduction had taken shape in the main sectors of the economy. This meant completion of the stage of the rebuilding of the colonial sectoral structure on a bourgeois basis and the conversion of local capitalism into the structure directly or indirectly dominating the entire system of social reproduction. Several interlinked processes formed the basis of the changes which had occurred.

First of all a powerful state-capitalist sector, which occupied leading positions in the fuel-energy sectors and the transport infrastructure, a number of base sectors of heavy industry and the credit-finance sphere, had taken shape. In the period 1950-1983 the relative significance of state spending in the gross domestic product [GDP] had increased from 10.1 to 23.4 percent, the public sector's share of gross capital investments had risen from 23 to 47 percent and its relative significance in the production of national income had risen from 10.7 percent in 1960 to 23.5 percent in 1983. The same year the public sector accounted for 68.5 percent of those employed in the so-called "organized sector" (enterprises and establishments employing over

10 persons) compared with 58.3 percent in 1961.\*

The processes of the concentration of production and the centralization of capital in large-scale private-capitalist production intensified. In the period 1972-1982 the assets of the 20 biggest monopoly groups grew from 28.8 billion to 89.9 billion rupees, although their share of the GDP declined from 6.7 to 6.2 percent. The activity of the local monopolies in the modern sectors of manufacturing industry, which determine the directions of technical progress to a decisive extent, expanded considerably.

Small-scale capitalist enterprise of city and village has developed at an accelerated pace as of the latter half of the 1960's. A large part of the former landowners, representatives of commercial-usurious capital and well-to-do peasants had switched to capitalist farming by the start of the 1980's. The number of farms with diesel and electric engines and entrepreneurial farms in suburban zones has risen to 5.5 million, that is, two-thirds of farms bigger than 4 hectares. By 1984 they were accounting for 52 percent of the area sown to cereals. The numbers of enterprises hiring one and more workers increased in the nonagricultural sectors from 480,000 in 1951 to 3.3 million in 1980, given a total number of nonagricultural institutions of 25 million.

Integration ties between the state and large-scale and small scale private-capitalist sectors along the lines of flows of both material and financial resources strengthened. Some 78.7 percent of individual savings had entered intersectoral circulation in 1983 compared with 54 percent in 1950.

There has been a gradual bourgeoisification of the precapitalist exploiter classes (landowners, traditional tradesmen and usurers), given their preservation to this extent or the other of precapitalist methods of exploitation together with capitalist methods.

The above-mentioned processes have occurred unevenly. Up to the mid-1960's the predominant role had been performed by the development of capitalism in depth along the path of the increased concentration of production and the centralization of capital, which relied to a large extent on import protectionism and other methods of state regulation. The public and the large-scale private-capitalist sectors served as the main "engines" of development, and the main direction of the sectoral changes was the preferential growth of import-substituting large-scale industry, heavy industry primarily.

As of the latter half of the 1960's there has been an appreciable acceleration of the development of capitalism in breadth thanks to small-scale capitalist production of the village and city, which has grown not so much from petty commodity production as from the lower strata of the precapitalist exploiters.

\* Here and subsequently the authors' calculations are based on the data of national statistics. Use was made, inter alia, of the following sources: "Economic Survey," "National Accounts Statistics," "Report on Currency and Finance," "Plan Budget," "Budget Speech of the Finance Minister," "Import Policy," "Monthly Abstract of Statistics" and "Statistical Abstract of the Indian Union" for the corresponding years.

The acceleration of its development also reflected the long-term singularities of reproduction, particularly the objective need for an enormous "buffer" between modern forms of capitalist production and the bulk of the population which remains beyond the confines thereof.

The turnabout in economic development on the eve and at the outset of the 1970's was based on a new cycle of socioeconomic transformations, the nucleus of which were the nationalization of the banks and insurance companies and the coal industry, the transfer to the state of a number of chronically unprofitable enterprises, delimitation of the sphere of investment of large-scale and petty industrial capital, a further narrowing of the activity of foreign capital, antitrust legislation, a lowering of the ceiling on land tenure and others. The growth of the mass base of capitalist development thanks to the small urban and rural entrepreneurs contributed to the greater stability of the entire development process, broadened the possibilities of the enlistment of manpower in modern production and thus inaugurated a new stage of import substitution both in industry and in agriculture.

By the start of the current decade the capitalist sector of India's economy had reached a level of mid-development capitalism and had overcome the basic intrinsic reproduction disproportions characteristic of the stage of the break with the colonial economic structure. At the same time, however, while concentrating the bulk of the social product and capital, this sector, relying on relatively capital-intensive technology, had absorbed a negligible proportion of labor resources. The relative significance of large-scale enterprises in employment grew in the period 1961-1981 only from 6.7 to 9.2 percent, including a growth from 4.4. to 5.8 percent in the production sphere. With regard for employment in small-scale production the modern capitalist sector, which produces over 75 percent of national income, absorbs, according to the most optimistic estimates, no more than 25-30 percent of manpower.

The nonconcurrence of the changes in the socioeconomic structure of the social product and employment is being accompanied by a deepening of the gap between the conditions of production in the capitalist sector and on the traditional periphery. This process, combined with the preceding forms of disintegration of the economic system, is contributing to a polarization of the economy and the formation of a particular kind of "dualistic" system of the economy. The reproduction of precapitalist and early capitalist forms of exploitation on the periphery of the economy is proving increasingly to be not only a legacy of the preceding modes of production but also a secondary result of capital-intensive development in the modern sector under the conditions of rapid population growth.

The above-mentioned problems may be characterized as a deepening of the contradiction between the economic and social aspects of development.\* It is a question in this case of the fact that capitalism's subordination of the

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\* See, for example, "The Developing Countries: Economic Growth and Social Progress," Moscow, 1983, pp 590-602.



process of social reproduction in its technical-economic and social aspects is being accompanied only to a negligible extent by the enlistment of manpower in modern forms of labor and the formation of the socio-class structure inherent in capitalism. Consequently, the bulk of the population remains in both the economic and social respects outside of modern forms of production.

A consequence of such a version of capitalist evolution is the increased unevenness of the economic development of different areas. The gap between the per capita income level in India's three most developed and three least developed states increased from 66.7 percent in 1960/61 to 90.2 percent in 1970/71 and 122.1 percent in 1980/81.\*

The unevenness of regional development under the conditions of the existence of religious-communal and ethnic differences is nurturing autonomist and separatist trends actively supported and encouraged by outside forces. Yet the level of economic integration which has been achieved in India predetermines the objective interest of all national groups of the bourgeoisie in preservation of the country's unity. Separatist actions, on the other hand, can only complicate the accomplishment of the difficult tasks confronting it, in the sphere of overcoming area disproportions included.

Together with the exacerbation of class contradictions within the capitalist sector the polarization of the socioeconomic structure and the deepening of the contradictions between the bourgeoisie and the bulk of the traditional direct producers subject simultaneously to different forms of exploitation--precapitalist, early capitalist and capitalist proper--serve as a principal factor of the growth of social tension. The latter is being manifested, as before, predominantly in "traditional"-type conflicts on a caste, religious-communal or ethnic basis.

The existence of a vast traditional periphery and the growth of the social protest of the village lower orders are objectively strengthening the sociopolitical positions of the rural bourgeoisie, which is endeavoring to counterpose the "rich" city to the "poor" village and use in its own interests the spontaneous protest of the poorest strata. The "dualistic" system of the economy is giving rise to the need for a petty capitalist "buffer" between the modern and traditional sectors and the extensive intervention of the state to maintain not only the strictly economic but also social proportions of reproduction, that is, the correlation of the different structures and groups of the propertied classes. The state's support of small business is making its subordination to big private capital more difficult, predetermining the preservation of the three relatively independent, although increasingly closely interacting, streams of the development of capitalism (the public sector, the big private sector and small-scale production) and, evidently, blocking as yet India's transition in the foreseeable future to monopoly capitalism, despite the palpable increase in the economic potential of the local monopolies.

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\* Here and subsequently fiscal years beginning 1 April.

The relatively high level of social tension and the continuation of the acute intergroup contradictions within the ruling class are prompting the bourgeois state to increase its socially protective functions. This is also being reflected in the implementation of a relatively broad range of social programs. While the actual influence of these programs on the material position of the poor strata remains a matter of debate, their impact on curbing the growth of social tension and the formation of the appearance of a "populist" state has right up until recently been quite palpable.

## II

The singularities of India's socioeconomic evolution have also predetermined to a decisive extent the nature of the changes in the proportions of social reproduction. Independent development has made it possible to switch from the stagnation characteristic of the final decades of colonial domination and accompanied by the decline in per capita national income to steady expanded reproduction. At the same time, however, the economic growth rate has been markedly less than in the remaining emergent states--3.6 and 5.6 percent respectively in the period 1950-1980. In comparable prices of 1970 India's share of the developing countries' aggregate GDP declined from 17.5 to 10.4 percent, but of population only from 34 to 31.6 percent. Whereas in 1950 per capita GDP in India was in the same prices 2/3 as high as the average for the other emergent states, in 1980 it was 1/4 as high.

The large absolute dimensions of the national economy have created a relatively capacious potential home market, despite the low level of per capita income. For this reason India was the sole developing country to have embarked at the first stage of industrialization on the creation of a diversified industrial complex. Considerable assistance here was rendered by the Soviet Union, with whose help a large number of facilities in key sectors of industry has been and is being installed in India. In the period 1950-1984 the relative significance of heavy industry in the standard net product of manufacturing industry increased from 32.2 to 68.4 percent.

The relatively capacious home market has made it possible to undertake industrialization given a negligible expansion of participation in the international division of labor. In the period 1960/61-1983/84 the proportion of imports in the GDP increased only from 8.4 to 9.1 percent, and exports from 4.6 to 5.7 percent. The low level of participation in the international division of labor has also been to a certain extent both the result and the cause of the comparatively low economic growth rate. At the same time India is experiencing to a far lesser extent than the majority of developing countries the upheavals of the structural and cyclical crises of the world capitalist economy, which, in turn, is contributing to the greater stability of the entire process of expanded reproduction and serving as the material basis of the pursuit of an independent foreign policy course.

Industrialization has been accompanied by appreciable progressive changes in the sectoral structure. In the period 1950/51-1982/83 the relative significance of agriculture in the GDP declined from 57.2 to 36.1 percent, whereas the share of industry (excluding power engineering) increased from 11 to 18.6 percent, including that of factory manufacturing industry from 5.6 to 10.3 percent.

By the latter half of the 1970's India had overcome, in the main, the shortage of material and financial resources which had served as the main inhibitor of economic growth in the preceding period. In the period 1950/51-1983/84 the norm of gross capital investments increased from 10 to 23.9 percent. The relative significance of foreign resources in the financing of net capital investments fell from 20.8 percent in 1961-1965 to 8.9 percent in 1981/82-1983/84. The development of national engineering made it possible to reduce the proportion of imports in capital investments in machinery and equipment from 37 percent in 1960/61 to 16 percent in 1983/84.

The "green revolution" in grain production led to a reduction in the proportion of imports in the consumption of commodity food grain from 31 percent in 1961-1967 to 0.5 percent in 1981-1984. The expansion of state grain purchases from the peasants (from 2 percent of the net cereals harvest in 1964 to 14.1 percent in 1984) made it possible to stabilize the provision of the cities with food and with the help of grain reserves to essentially neutralize the influence of poor harvests on food supply and the price of grain.

The achievement of self-sufficiency in food was a most important result of India's economic development. At the same time, however, the country achieved it by maintaining a low level of consumption.

The changes in the proportions of reproduction studied above testify to India's conversion from an agrarian country to an agro-industrial country and to the completion in basic outline by the mid-1970's of the transitional period of the rebuilding of the colonial structure of the economy on a bourgeois basis. These changes on the one hand removed or considerably weakened the resource inhibitors which had held back economic growth in the first three decades of independence (shortage of local accumulations, foreign currency, modern equipment, food grain and skilled workers). On the other, they led to the relative exhaustion of the sources of economic growth characteristic of the transitional period based on import substitution in the capitalist sector initially in industry and subsequently in agriculture and exacerbated the problem of sale of the products of the given sector.

This placed on the agenda the formation of a new practice of reproduction and development strategy corresponding thereto. A direct influence on the formation of this practice on the eve and at the outset of the 1980's was exerted by changes in the nature of the effect of spontaneous market regulators and alignment of forces within the national bourgeoisie.

The successes in import substitution in grain production had led by the latter half of the 1970's to the relative overproduction of grain on the entrepreneurial farms of the countryside. Despite the increase in purchases thereof by the state to supplement buffer stocks, the correlation of prices right up to the start of the present decade had steadily changed to the detriment of agriculture. The increase in world energy prices intensified this trend.

The change in the intersectoral conditions of trade on the one hand impeded the introduction of modern agrotechnical facilities, which, in turn, held back the peasants' demand for industrial commodities and, on the other, slowed

the growth of the economic potential of the rural bourgeoisie compared with big urban capital and, consequently, narrowed the possibilities of its influencing the state's economic policy. The strengthening of the role of Indian monopoly capital in the formation of this policy as of the mid-1970's was largely the obverse of the change in the correlation of economic power between different groups of the national bourgeoisie.

At the same time the improvement in the conditions of trade for industry, providing for a certain savings on variable capital, created very limited incentives for private industrial enterprise. First, a considerable proportion of industry's "gain" from the improvement in trade conditions flowed overseas (the result of the increased prices of liquid fuel, fertilizer and so forth) or went into the state budget. Second, the main inhibitors of the growth of manufacturing industry were either the absolute dimensions of the home market or a shortage of electric power and labor conflicts holding back investment demand, regardless of the correlation of sectoral prices.

Theoretically two alternative paths of surmounting the balance at a low level of investment demand, low compared with the level of monetary accumulation which had been achieved, opened up. Each of these paths were championed by certain social and political forces within the country. One path was the concentrated buildup of state capital investments in industry and the infrastructure thanks to redistribution in favor of the public sector of "surplus" private savings and the implementation of a new cycle of agrarian transformations, which would make it possible to enlist new areas and new types of peasant farm in the "green revolution". The other was encouragement of predominantly private capital investments by means of state tax and credit privileges and the broadening of the range of spontaneous market regulators, and in agriculture, emphasis on the further intensification of production on the prosperous farms and in the most developed farming areas.

The shaping of the state's economic policy was also influenced by the changes in foreign economic conditions connected with the rise in the world oil price and the economic disorders in the developed capitalist states. Whereas the consequences of the first energy crisis in 1973-1974 had been overcome quite rapidly, at the start of the current decade the increase in the oil price, the increased protectionism in Western countries and the decline in the real volume of financial resources therefrom did palpable damage to the Indian economy. In the period 1980/81-1984/85 the average annual balance of trade deficit amounted to 57.8 billion rupees compared with 10.5 billion in 1976/77-1979/80. At the same time, however, the net influx of foreign resources on an interstate basis increased only from 5.5 billion to 11.9 billion rupees, and other proceeds, including transfers from Indians working abroad, from 17 billion to 37.5 billion rupees. Therefore whereas in 1976/77-1979/80 the country's currency reserves (adjusted for payments to the IMF) increased by 47.9 billion rupees, in 1980/81-1984/85 they declined by 42 billion rupees and by the start of February 1985 covered (allowing for the debt to the IMF) the cost of imports for only 6 weeks. The deterioration in the terms of Western loans prompted India to turn to the international private loan capital markets. In 1980/81-1984/85 the sum total of government-authorized commercial credit amounted to 71 billion rupees and constituted 27.4 percent of foreign financial resources obtained by the country in this period.



Nonetheless, India's currency-finance position differed appreciably from the situation in which the majority of oil-importing emergent countries found themselves. Even at the time of the greatest exacerbation of currency problems the relationship of the balance of trade deficit to the country's GDP did not exceed 5.1 percent, and the deficit of the balance of payments on current transactions 2.2 percent. By 1984/85 these indicators had declined to 3.1 and 0.6 percent respectively. By the start of 1985/86 its official foreign debt was the equivalent of \$14.9 billion. With regard for the IMF debt (\$4.4 billion) and the credit of private bank consortia (\$3.2 billion) India's overall foreign debt amounted to approximately \$23 billion. Whereas the country's share of the population of the developing world is a little over 30 percent, it accounted in 1981-1983 for only 3.2 percent of the total influx of foreign financial resources from the developed capitalist states to the developing states. In per capita terms the influx of foreign resources into India was 13.6 times lower than into the remaining emergent countries together. The preponderance in the foreign debt of so-called "soft" interstate credit ensured a relatively moderate level of annual debt payments. Their share of the export of goods and services in 1980/81-1984/85 constituted 15 percent compared with 35 percent for all the oil-importing developing countries.

At the time of the world economic crisis of the start of the 1980's India demonstrated far greater economic stability than both the less developed emergent countries and the "new industrializing states" which are far more involved in the world capitalist economy. This testified to the viability of the strategy of creating a reproduction cycle on a national basis--a policy instituted in the 1950's under the leadership of J. Nehru.

At the same time the currency-finance difficulties prompted a reorientation of the state's current economic policy. Import substitution and the growth of exports in large-scale industry and also the removal of infrastructural disproportions (primarily in the sphere of power engineering and railroad transport) were again temporarily advanced as priority tasks. In the first half of the 1980's the country took a significant step forward in the production of a further three types of industrial product which perform a key role in the reproduction process in the modern capitalist sector--oil, electric power and mineral fertilizers. In the period 1980/81-1984/85 liquid fuel production grew from 10.5 million to 29 million tons, which made it possible to reduce the proportion of imports in the satisfaction of oil and petroleum product requirements from 72.6 to 33.9 percent. As of 1981/82 India embarked on exports of liquid fuel, which in 1984/85 constituted 7 million tons or 24 percent of the production thereof. The acceleration of the growth of production was accompanied in 1980/81-1984/85 by a reduction in the proportion of imports in fertilizer supplies from 47.8 to 23 percent and a reduction in the power shortage from 12.7 to 5.6 percent. The operation of railroad transport improved.

### III

The urgent tasks of balancing currency payments screened off to a certain extent the more deep-lying problems of expansion of the mass base of economic growth and the surmounting of the obstacles to capitalist development connected with the slow increase in the home market. This objectively weakened the positions of the forces in the ruling bourgeois coalition which were advocating socioeconomic transformations.

Under the conditions of the acute shortage of financial resources there was a strengthening of the trend toward the transfer of state capital investments into the fuel-energy sectors, which afforded great scope for the activity of big private capital in the sectors determining the main directions of S&T progress. Inasmuch as the short-term possibilities of import substitution and the growth of exports were basically connected with an increase in the load of insufficiently used production capacity, in large-scale private industry, the state's economic policy began to experience increased pressure on the part of Indian monopoly capital, which openly linked the prospects of increased production with new official privileges. This pressure was underpinned to a certain extent by the position of international financial organizations, which, incidentally, coincided in basic outline with the action program which had been put forward in 1980 by India's Federation of Chambers of Commerce and Industry. The assertions encountered in foreign literature that in 1981 the Indian Government "capitulated" to the IMF are therefore at least inaccurate.

The decisive role in the shaping of the state's economic course in the first half of the 1980's was performed, we believe, primarily by a certain change in the alignment among the propertied classes in favor of the haute urban bourgeoisie and, secondly, by the deterioration in foreign economic conditions. The impact of these factors was intensified to a certain extent by subjective factors.

The main directions of the government's economic policy in this period were the increase in state capital investments in the fuel-energy and infrastructural sectors; the easing of state regulation of the private sector and the expansion of tax-credit and other privileges to large-scale private-capitalist enterprise; stimulation of the use of modern agrotechnical facilities on the well-to-do farms and in the most developed agricultural areas; direct and indirect subsidies to the politically assertive needy strata of the population designed to soften the social consequences of the intensification of property inequality.

In the period 1980/81-1984/85 state appropriations for economic development purposes grew in real terms at an annual 9.9 percent compared with 7.9 percent in the period 1970/71-1979/80, and the share of the public sector in gross capital investments in fixed capital grew in this period from 38 to 46.8 percent, and in 1983/84 it amounted to 50.4 percent. At the same time appreciable changes occurred in the sectoral structure of the appropriations. The principal one was the redistribution of resources of the public sector in favor of the import-substituting commodity sectors. These sectors' share of the appropriations grew by a factor of 1.8--from 7.9 percent in 1980/81 to 14.1 percent in 1984/85, including a growth from 5 to 10.4 percent in oil industry.

The main "casualty" of the structural reorganization was agriculture. Its share of state appropriations (including spending on irrigation and rural area development programs) declined from 27 percent in 1979/80 to 21.5 percent in 1984/85. Whereas total public sector appropriations in the period 1980/81-1984/85 increased in real terms 46 percent, expenditure on agriculture grew only 16 percent, including only 9 percent on irrigation. This reflected a certain weakening of the positions of the rural bourgeoisie in the ruling coalition. There was a sharp reduction (by 27 percent) in the proportion of resources allocated the development of another subdivision of petty capitalist enterprise--small-scale industry--from 2.2 percent in 1979/80 to 1.6 percent in 1984/85. One further "casualty" of the structural reorganization in the public sector was transport and communications, the proportion of expenditure on which declined by approximately one-third in the period 1974/75-1984/85.

At the same time the possibilities of an increase in official capital investments in the fuel sectors proved far from unlimited. The relative significance of these sectors in central government appropriations reached the maximum in 1982/83, and all subsequent attempts to increase it have been accompanied merely by a growth of the gap between allocated resources and those actually assimilated. In 1984/85 there was a decline even in the absolute amounts of capital investments in the fuel sectors in real terms, and in 1985/86 the government reduced planned expenditure on these sectors in current prices also: from 31.3 billion to 30.8 billion rupees in the oil and from 11.2 billion to 10 billion rupees in the coal industry. Similar processes have occurred in electric power engineering. This sector's share of total state appropriations declined from 18.4 percent in 1979/80 to 17.4 percent in 1984/85.

The industrial (excluding fuel) sectors which played a decisive part in the course of the country's industrialization suffered to the greatest extent from the reorientation of economic policy in the public sector of central jurisdiction. Their share of the resources allocated by the central government declined from 25.6 percent in 1981/82 to 19.9 percent in 1985/86. Within these sectors there was a decline in the relative significance of ferrous metallurgy, machine building and chemical industry. Capital investments in ferrous metallurgy declined particularly, despite the significant increase in expenditure on ferrous metal imports.

In the first half of the 1980's the reduction in new industrial construction in the public sector was accompanied by an increase in spending on the reconstruction and modernization of operating enterprises: their share of total central government capital investments in machinery and equipment had grown by 1983/84 to 40 percent. The preliminary draft of the Seventh Five-Year Plan for 1985/86-1989/90 emphasizes that the main attention will be paid to the reconstruction and modernization of enterprises, increasing the load of production capacity and increasing economic efficiency. In 1985/86 some 39.6 percent of government appropriations for manufacturing industry is intended for reconstruction and product diversification, 23.1 percent for the expansion of operating enterprises and 37.3 percent for the installation of new facilities. In machine building the proportion of appropriations for modernization amounted to 73.9 percent.

The second direction of the reorientation of economic policy has been stimulation of the capital investments of the private corporate sector. Among the most important steps in this direction have been:

liberalization of industrial licensing expressed in the exemption therefrom altogether of 59 sectors of industry, a raising of the "ceiling" of enterprise fixed capital not subject to licensing from 30 million to 100 million rupees and also the authorization of production over and above licenses;

limitation of the sphere of operation of antimonopoly legislation thanks to a raising of the maximum of company net assets exempt from antimonopoly regulation from 200 million to 1 billion rupees and the admittance of major local and foreign companies to the sectors reserved for small-scale production, given the export orientation of the products;

extension of the privileges granted small-scale industry by the state to bigger enterprises by way of a raising of the "ceiling" of capital investments in the machinery and equipment of small-scale enterprises from 1 million to 3.5 million rupees, and with respect to related and auxiliary enterprises, from 1.5 million to 4.5 million rupees;

reduction in the level of direct taxation of the corporations and propertied strata of the population. In the period 1980-1985 the top rate of taxation was lowered from 77 to 50 percent and the untaxed minimum income was raised from 10,000 to 18,000 rupees. The untaxed value of property was increased from 150,000 to 250,000 rupees and allowable deductions from this tax to 500,000 rupees, and the maximum property tax rate was lowered from 5 to 2 percent. Inheritance and bank interest taxes and also mandatory deposits by the payers of income tax were abolished. Private companies acquired an opportunity to exempt from tax a broader range of investment spending, privileges for individual investors were extended and the taxation of nonindustrial companies was reduced to the level of taxation of industrial companies. The reform of corporation tax planned for 1986-1987 envisages a lowering of the tax rate and the cancellation of tax surcharges;

liberalization of credit policy incorporating an increase in the maximum proportion of loan capital in private company assets from 50 to 67 percent, liberation of export credit, limitation of the practice of the conversion of loans granted by state financial institutions to private companies into the stock of these companies and an increase in the long-term credit of state financial institutions to the private sector from 20 billion rupees in 1979/80 to 48 billion in 1984/85.

liberalization of import policy consisting of an expansion of the practice of the automatic licensing of raw material and intermediate product imports, admittance of private tradesmen to import transactions reserved for the public sector and the practically free importation of commodities for the export sectors. In the period 1975/76-1982/83 the public sector's share of imports declined from 75.8 percent to 65.8 percent. In the period 1985/86-1986/87 the importation of 201 types of equipment within the framework of an open general license, duty-free imports of raw material and components for the export sectors and the transfer from the public sector to the private sector of the



importation of 53 types of commodities are envisaged for the first time. In the 1985/86 budget the rate of import dues on equipment is reduced from 65 to 45 percent of its value;

stimulation of the capital investments of persons of Indian birth residing abroad, particularly, their being put on the same footing as local entrepreneurs and the granting of them of wide-ranging tax concessions, and the creation of a special system of bank accounts for overseas Indians, whose deposits increased from 10.9 billion to 34.6 billion rupees;

liberalization of imports of technology for the export and science-intensive sectors and expansion of the practice of international tendering even in cases where local production of the corresponding equipment has been organized in the public sector.

All these measures contributed to a perceptible increase in the assertiveness of the private corporate sector. The private securities market, which had experienced stagnation since 1964, was reinvigorated considerably. At the same time, however, the tempestuous activity of private investors led neither to an increase in the general norm of capital investments in the economy nor to an appreciable acceleration of the growth of capital investments in the private corporate sector itself.

The investment boom in this sector led to an acceleration of the accumulation more of fictitious and not real capital. There was virtually no growth in the average annual growth rate of the sector's real capital investments. The extensive privileges granted the private corporations by the state were accompanied more by a redistribution of current income in favor of the upper strata of the national bourgeoisie than an intensification of the capital investment process. The general norm of capital investments stabilized, and real investments in qualifying manufacturing industry in the period 1982/83-1983/84 declined. At the same time, however, production indicators of the corporate sector in 1980/81-1982/83 deteriorated, and consequently, there was somewhat of a decline in the gross profit norm.

#### IV

Preliminary data on the financial results of the activity of big private capital in the first half of the current decade are entirely in keeping with the more dependable estimates of the physical volume of industrial production.

The average annual growth rate of the manufacturing industry product computed on the basis of the industrial production index declined from 5.2 percent in 1976/77-1980/81 to 4.8 percent in 1981/82-1984/85. The consolidated data conceal, however, appreciable differences in production dynamics by sector. The production of mineral fertilizer, passenger automobiles, cement industry and nonferrous metallurgy is distinguished by the highest growth rate. The main sources of growth here were the increase in the demand by agriculture (predominantly the entrepreneurial stratum of peasants) for modern agrotechnical resources; the growth of the consumer spending of the well-to-do strata, mainly the urban population, on elite consumer items; substitution for fuel-raw material commodity imports.

In the period 1970/71-1978/79 the consumption of mineral fertilizer (excluding potassium fertilizer, which was entirely imported) grew at an annual 15.4 percent, and its local production at 13.6 percent. The deterioration in intersectoral trade conditions for agriculture on the eve and at the outset of the 1980's together with the cutback in official subsidies led to an appreciable slowing of the growth of demand for fertilizer. The trade conditions, which were unfavorable for agriculture, together with this sector's reduced share of official appropriations are also curbing the growth of demand for other modern agrotechnical resources manufactured by industry. As a result the rate of growth of the production of irrigation pumps declined from 9.4 to 2.9 percent and of tractors from 16.3 to 5.4 percent in the first half of the 1980's compared with the preceding 5 years.

The increase in the manufacture of passenger automobiles and other goods consumed in India as yet only by the well-off strata (household refrigerators by 20.2 percent a year, air conditioners, color television receivers and so forth), like the rapid growth of fashionable private detached houses and international-class hotels, testifies to a palpable redistribution of income in favor of the privileged strata of the population in receipt of large state benefits. It is indicative that whereas the first spurt in the world oil price in 1973/1974 struck heavily at the auto industry (by 1975 the manufacture of passenger automobiles had fallen 38 percent), by the time of the rise in the oil price in 1979-1980 the well-off strata had achieved an income level whereat this rise had little influence on consumer demand: in the period 1981-1984 the manufacture of passenger automobiles grew 79 percent compared with 5.8 percent throughout the preceding decade.

An indirect indicator of the changes in the structure of income redistribution and, correspondingly, consumer demand could be the data on the per capita consumption of commodities characteristic on the one hand of the bulk of the rural population (grain, legumes, vegetable oil, cotton cloth) and, on the other, of the urban population and prosperous stratum of the countryside (sugar, tea, coffee, cloth from synthetic and composite fibers, electric power).

Inasmuch as the "green revolution" increased the production of commodity grain mainly on the well-to-do entrepreneurial farms the growth of their monetary income brought about additional demand not so much for grain or nonfood commodities as for more "noble" food--refined sugar and vegetable oil. A paradoxical situation has taken shape where, given the practically unchanged per capita cereals harvest, the "overproduction" of commodity grain accompanied by an acute shortage of sugar and vegetable oil has occurred. A secondary result of the achievement of self-sufficiency in food grain was India's conversion into a major importer of vegetable oils, imports of which in the period 1980/1981-1983/84 amounted to 1.2 million tons or approximately 40 percent of local production.

The low purchasing power of the bulk of the population together with the steady deterioration in export conditions is causing a chronic crisis of such traditional sectors of industry as the cotton, jute and leather sectors. The profound economic recession in the developed capitalist countries in the first half of the 1980's exacerbated this crisis. In the period 1979/80-1983/84 exports of cotton cloth declined from 554 million to 305 million square meters,

and exports of jute products from 722,000 to 300,000 tons; exports of leather products even in current prices declined from \$599 million to \$388 million. In the jute industry the reduction in production has been caused entirely by the narrowing of the foreign market, and in cotton-manufacturing industry almost 65 percent of the decline in production has been brought about by the effect of outside factors.

In the first half of the current decade stagnation trends extended to sectors which formerly were highly dynamic. Among them are primarily ferrous metallurgy, the production of industrial and electrical equipment and certain organic chemistry processes. These sectors have suffered to the greatest extent on the one hand from the reduction in real capital investments in industrial manufacturing and, on the other, from increased foreign competition as a result of the liberalization of imports.

Imports' share of capital investments in machinery and equipment, which had declined in the period 1970/71-1979/80 from 17.1 to 14.1 percent, had once again grown to 16 percent by 1983/84. Imports of general machine-building products constituted 10.9 percent of total capital investments in machinery and equipment in 1970/71, 6.7 percent in 1979/80 and 10.6 percent in 1983/84. Whereas in the period 1970/71-1979/80 the physical volume of equipment imports grew 5 percent, in the following 2 years alone it increased 120 percent. Ferrous metal imports grew from 1.27 million tons in 1978/79 to 2.62 million tons in 1981/82-1983/84 and amounted to 36 percent of the local production of rolled products. At the same time the government economic survey for 1984/85 observed that the production of rolled steel products at the main mills had declined 12.3 percent in 1983/84 mainly owing to insufficient demand and the nonconcurrence of the structure of production and demand. The plan for 1985/86 envisages a reduction in state appropriations for the development of ferrous metallurgy of 31 percent, including a 35.4-percent reduction in budget appropriations.

As a whole, of the 67 basic types of industrial product data on which is published in the Indian Government's annual economic survey, the production of 29 types of product was less in 1983/84-1984-85 than in 1980/81-1981/82, that is, in the period of the greatest exacerbation of the country's currency-finance position under the influence of the world economic crisis.

Thus the formation of the new mechanism of economic growth in India, which reflects the increased maturity of the national economy and the change in foreign economic conditions, is of a complex and contradictory nature. This process is far from completion. There are prerequisites for various alternative ways of leading the economy on the tracks of more stable economic development.

But whatever these ways, the country's socioeconomic problems cannot be solved without a radical improvement in the position of the poorest strata of the population--the hundreds of millions of Indians who remain as yet "outside" of economic development. Expansion of its mass base beyond the confines of the capitalist sector remains a most important condition of the surmounting of the present economic difficulties and the emergence of the Indian economy at a new, more accomplished level of reproduction.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1986.

## AMERICAN, SOVIET RESEARCH ON NUCLEAR WINTER SURVEYED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86  
(signed to press 13 May 86) pp 77-82

[Yu. Fedorov comment: "'Nuclear Winter' and the Nuclear Policy of the United States"]

[Text] The results of scientific research which markedly expanded and deepened the ideas about the disastrous global consequences of a thermonuclear conflict were published in the first half of the 1980's. Grim climatic changes, which came to be called "nuclear winter," which it would cause were predicted, inter alia.

Scientists' increased attention to such problems in recent years is no accident. It has been brought about by the dangerous turn in world politics which occurred at the start of the 1980's through the fault of imperialist reaction, the unleashing of a new twist of the arms race spiral and the spurring of militarist hysteria. Matters went so far as certain high-ranking figures in Washington declaring at the start of the present decade the possibility and expediency even of the unleashing of "limited" and, in addition, "protracted" nuclear wars. Acute public disquiet is also being caused by the avowed focus of the United States' present military programs toward preparation for such wars in the hope of winning them.

The growth of the military threat has posed particularly strongly the question: what will become of civilization, mankind and life itself on our planet in the event of a nuclear conflagration? The works of physicists, medical people, biologists and climatologists have confirmed most convincingly the fundamental political axiom of the present day--a thermonuclear cataclysm must be averted, and nuclear weapons removed forever. "There can be no winners in a nuclear war," M.S. Gorbachev emphasized. "...It is time to draw the practical conclusion from this--halting the nuclear arms race."\* Discovery of the "nuclear winter" phenomenon testifies yet again that the sole result of a thermonuclear confrontation would be the collapse of man's material and spiritual culture and, possibly, the end of everything living on Earth even.

\* M.S. Gorbachev, "Selected Speeches and Articles," Moscow, 1985, p 326.



# I

Ascertainment of the diverse destructive factors of nuclear explosions and study of their impact on the human organism and the environment began practically from the very moment when American atom bombs destroyed two Japanese cities--Hiroshima and Nagasaki. The possible consequences of both the isolated and large-scale use of nuclear weapons against individual cities and whole countries began to be determined. The results of such studies serve as a most serious warning to mankind. In particular, it is shown convincingly that in the course of a general thermonuclear war with a total yield of the warheads used of 10,000 megatons there would be approximately 2.245 billion casualties, half of whom would perish in the very first hours and days of the conflict.\*

However, additional data have been obtained in the past several years testifying that these mind-boggling figures should be substantially increased. It has been ascertained, for example, that a thermonuclear conflict would lead to a climatic catastrophe of a global scale, which, in turn, would have grim socioeconomic consequences. Working independently of each other, Soviet and American scientists have shown that it would be followed by a "nuclear winter"--a profound and comparatively prolonged lowering of the temperature of the earth's surface. In the Soviet Union the corresponding work has been performed under the leadership of Academician N.N. Moiseyev, in the United States by a group of scientists headed by the well-known astrophysicist C. Sagan. It is important that the conclusions of the Soviet and American scientists who predicted a "nuclear winter" practically coincided, although they worked with different models.

The mechanism of the formation of the "nuclear winter" phenomenon is basically quite simple. The air temperature on the earth's surface is ultimately determined by the amount of solar radiation which gets through to it. The latter, however, depends, in particular, on the transparency of the atmosphere. Nuclear explosions would lead to its heavy pollution with dust, soot, fly ash and so forth. Such tiny, suspended particles absorb solar rays. This causes a complex chain of physico-chemical and geophysical processes and ultimately a drop in temperature in the lower layers of the atmosphere.

Climatologists drew attention to the possibility of such phenomena long since. Thus a certain lowering of the earth's temperature has been observed following the eruptions of large volcanoes accompanied by the release of large masses of dust. However, quantitative estimates of such processes have become reliable only recently as a result of the creation of powerful computers and models developed in detail making it possible to obtain important descriptions of the state of the atmosphere and its dynamics.

The main sources of atmospheric pollution in the event of a nuclear war will be upper-air discharges of soil particles, the smoke of forest fires and also, which is the most important, soot and fly ash from burned cities. In order to determine the extent of such pollution and, consequently, its repercussions it was necessary to analyze various nuclear war "scenarios" distinguished from one another by the total yield of the weapons used and the correlation of the targets hit (cities, most important industrial facilities, armed forces and so forth).

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\* Ye.I. Chazov, L.A. Il'in, A.K. Guskova, "Nuclear War: Medical-Biological Consequences. Viewpoint of Soviet Medical Practitioners," Moscow, 1984, p 108.

Destruction of the most important heavily protected military targets, primarily strategic missile launch complexes, command posts, communications centers and so forth, is most effective given ground explosions of nuclear ammunition. However, as the specialists emphasize, the closer to the earth's surface the explosion, the greater the amount of affected soil and fine dust which is discharged into the atmosphere, to great altitudes included, where they are scattered great distances. Given ground explosions, G.S. Golitsyn, corresponding member of the USSR Academy of Sciences, emphasizes, "billions of tons of soil will be discharged into the atmosphere, a considerable proportion of which in the form of fine dust could reach the stratosphere. Given any explosion, a mushroom-shaped cloud will rise to the stratosphere, occupying a range of altitudes from 10-15 to 30-40 km, depending on the power of the weapons."\* The transparency of the atmosphere will naturally diminish.

The discharge of dust, however, is by no means the most essential factor of atmospheric pollution in the event of a nuclear war. A particular role here is performed by the so-called obscure products of combustion which form as a result of mass urban conflagrations caused by strikes at civilian and industrial targets. P. (Kruttsen), director of the M. Planck Institute (FRG), who was the first to call attention to this, termed them a "firestorm." In his opinion, which is now shared by many authoritative specialists, the high-rise nature and certain other singularities of modern urban development would lead to a powerful suction of air into the combustion zone, which would create the conditions for a self-sustaining reaction with a constant rise in temperature. Meanwhile in large modern cities there is a huge quantity of combustible materials (reserves of oil and other fuel, plastics, a variety of industrial semimanufactures and so forth). From 10 to 40 grams thereof are concentrated per square centimeter of urban area.\*\* It follows from P. (Kruttsen's) calculations that if a "firestorm" destroys a city whose population runs to several million persons, the transparency of the atmosphere will diminish over a quite large area by a factor of 10 million,\*\*\* that is, to practically zero.

Both scientists and many top military theorists believe that under real conditions it will be impossible to draw the line between strikes at military and civilian targets here. Military and military-industrial facilities, particularly in Europe, are often located either in cities or close to them. And conducting a nuclear war according to some predetermined rules precluding, for example, strikes against cities is altogether simply inconceivable. Such "scenarios" appear convincing only in the studies of the Pentagon's armchair strategists. In practice, however, if the nuclear storm originates anywhere, it will sweep over the expanses of the planet, making no distinction between ICBM launch pads and purely peaceful buildings.

Finally, nuclear attacks will inevitably lead to the severest forest fires, which will additionally discharge into the lower layers of the atmosphere a huge amount of cinders, ashes and so forth. According to G.S. Golitsyn's calculations, the total area of such conflagrations could, according to the most modest estimates, amount to 1 million square kilometers.\*\*\*\*

\* VESTNIK AN SSSR No 9, 1983, p 57.

\*\* Ibid., No 11, 1984, p 57.

\*\*\* Ibid.

\*\*\*\* VESTNIK AN SSSR No 9, 1983, p 59.

It is understandable, of course, that the scale and nature of atmospheric pollution in the event of a nuclear war would largely depend on the total yield of the weapons used and on what part thereof was targeted against cities and how much exploded on the earth's surface.

A "scenario" involving a total yield of the nuclear explosions of 5,000 megatons was examined as the "base" version selected by the American scientists for study of the climatic consequences of a nuclear war. It was assumed that they would all occur in the Northern Hemisphere and that approximately 60 percent of the explosions would be ground explosions and, furthermore, that approximately 20 percent of the weapons would be geared to the destruction of cities and industrial facilities and that there would have to be roughly 10,500 of them in such a conflict.\* In other words, a comparatively small proportion of the present thermonuclear potential (at the start of the 1980's there were approximately 50,000 nuclear weapons in the world with a total yield of roughly 15,000 megatons)\*\* would be expended in a conflict of the given scale.

However, the climatic consequences of a conflict of such a scale would be catastrophic in the full meaning of the word. Calculations have shown that the mean annual temperature of the earth's surface in the Northern Hemisphere would begin to drop rapidly and would within roughly a month fall to 22-23 degrees of frost on the Celsius scale. We would recall that its customary level is approximately 13 Centigrade, and the maximum deviations throughout the past millennium have not exceeded 1 Centigrade. Such a profound drop in temperature would not be very prolonged. In 3 months it would rise to 0 Centigrade and in 12-18 months, scientists believe, would be close to its customary level.\*\*\*

In the event of the total yield of the weapons exploded in the course of a thermonuclear war amounting to 10,000 megatons (roughly two-thirds of the nuclear weapons stockpiled today), the mean annual temperature of the earth's surface in the Northern Hemisphere would drop to 45 degrees of frost Celsius, and the period of its recovery would last several years.\*\*\*\*

Most surprising, but extremely important is the fact that even a comparatively small nuclear conflict would lead to most serious climatic changes. The results of the American specialists' research testify that in the event of the total yield of the attacks against urban and industrial centers constituting only 100 megatons, the mean annual temperature of the earth's surface in the Northern Hemisphere would drop to 20 degrees of frost Celsius. The period of its recovery to the normal level would be somewhat briefer than in the preceding versions. It would last 3-4 months. However, the consequences would be extremely dire, nonetheless. Soviet scientists' calculations also showed that in terms of climatic effect a nuclear conflict of such a scale would be very close to the "base" version, although the optical density of the atmosphere in this case would increase not by a factor of 7 but "only" by a factor of 3. But even this would prove sufficient for several months of "nuclear winter"--just as cruel as

\* FOREIGN AFFAIRS, Winter 1983/84, p 265.

\*\* See V.F. Petrovskiy, "The Soviet Concept of Disarmament," Moscow, 1983, p 447.

\*\*\* See FOREIGN AFFAIRS, Winter 1983/84, p 266.

\*\*\*\* Ibid., p 266.

following the use of a substantial (up to one-third) proportion of stockpiled thermonuclear weapons.\*

The scientists analyzed other possible versions of the development of events also. "The most striking and unexpected result of our research," C. Sagan wrote, "is the fact that even a comparatively small nuclear war would have devastating climatic consequences.... There are indications of the existence of some threshold the crossing of which will lead to severe climatic changes. This threshold could be crossed given several hundred nuclear strikes at cities causing the formation of smoke or 2,000-3,000 explosions on the earth's surface, close to missile silos, for example, which would lead to the discharge of dust and secondary fires."\*\* We would recall for comparison that a single American Ohio-class nuclear submarine is armed with 192 weapons with a total yield of almost 20 megatons.\*\*\* In other words, a missile firing of five such submarines would plunge the world into the darkness and cold of a "nuclear winter".

The effect of a "nuclear winter" predicted by scientists poses a new to a large extent question of the medical, biological and socioeconomic consequences of a thermonuclear conflict.

In particular, the scientists call attention to the extremely dire situation which would take shape in the part of the planet not directly affected by the nuclear strikes, particularly in zones with a comparatively mild climate. Thus a "nuclear winter" is fraught with the danger of mass and severe starvation. Strong frosts could devastate practically all harvests of food crops and also, obviously, agricultural animals. There would be an acute shortage of drinking water since the soil would freeze to roughly 1 meter in depth. As a result even of "very limited" nuclear wars, the American scientists point out, "the drop in temperature itself would destroy the production of grain crops in the United States even if civic systems and agricultural technology remains unaffected" in the course of the conflict.\*\*\*\*

The frosts of a "nuclear winter" would cause the most serious difficulties in the operation of transport systems, and possibly paralyze them completely. This would lead to the supply of food, fuel and energy resources becoming an extremely complex and, perhaps, insoluble problem. Polar cold would be combined with the incidence of lethal radioactive fallout carried from the areas of the military operations, practically total darkness and subsequently a considerable increase in ultraviolet radiation as a result of the collapse of the planet's ozone layer.

Thus death from starvation, cold, lack of drinking water and radiation sickness--such would be the lot of the overwhelming majority of the population even of the countries in the Northern Hemisphere whose territory would not be hit by thermonuclear attack.

The situation of the survivors of a thermonuclear war living in states located in the zone of military operations would be virtually hopeless. The very severe frosts of the "nuclear winter" would descend on them under conditions where

\* See VESTNIK AN SSR No 11, 1984, p 73.

\*\* FOREIGN AFFAIRS, Winter 1983/84, p 267.

\*\*\* "World Armaments and Disarmament. SIPRI Yearbook," London, 1983, pp 48, 53.

\*\*\*\* FOREIGN AFFAIRS, Winter 1983/84, p 270.



densely populated areas would have been incinerated by radioactive fallout and various chemical toxins and transport, communications, power engineering and practically all other systems catering for the population's existence (health care, sewerage, food supply) would have been completely or almost completely put out of action. The casualties of the "nuclear winter" would be primarily tens, if not hundreds, of millions of wounded, roasted by the fires, affected by radiation and poisoned by the pyrotoxins, poisonous semimanufactures and effluent of demolished enterprises. And somewhat later the majority of those who managed to escape death in the first weeks following the start of the war would die from starvation and cold.

Computer calculations made by Soviet scientists showed that the "nuclear winter" would not bypass the southern part of the planet either, although would arrive somewhat later compared with the Northern Hemisphere. The heavy atmospheric pollution in the northern zone could bring about changes in the global circulation of air flows, which would lead to the transfer of the black cloud southward. As a result the temperature in the Southern Hemisphere would be almost comparable with that in the North.\*

The consequences of the severe frosts for countries in the Southern Hemisphere would be no less but more dire even. The weakness and vulnerability of the national economic infrastructure, the preponderance of the rural population, the great dependence on food imports, the absence in the tropical zone of developed heating systems and a whole number of other factors would lead to the death of the majority of inhabitants of the southern half of the planet, even if the present forecasts of a drop in temperature prove, as some specialists believe, somewhat overstated.

The majority of scientists agree with the "nuclear winter" theory. However, some Western specialists linked to military-industrial circles are attempting to refute it and persuade public opinion that a thermonuclear conflict would not lead to a global climatic catastrophe. They often refer here to the fact that the superpowerful volcanic eruptions which have occurred in the past accompanied by a discharge into the atmosphere of large amounts of ashes and smoke did not lead to a pronounced drop in temperature, although their power amounted to several thousand megatons.

This formulation of the question is faulty from the very outset. The impact on the climate, including the air temperature near the earth's surface, is determined in such cases not by the power of the explosion as such but the amount of dust, soot and so forth released into the atmosphere, that is, by the impact on the optical density of the air over large distances. As already mentioned, particularly dangerous in this respect are the conflagrations of cities, in which a vast quantity of materials producing "obscure products of combustion" are concentrated.

## II

In the past decade even many scientists studying global problems of the present day posed with all seriousness the question of the fact that the impact of increasingly large-scale human activity, military particularly, on the natural

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\* VESTNIK AN SSSR No 11, 1984, p 710.

environment had approached limits the crossing of which would lead to far-reaching negative changes in the complex system of the planet's natural mechanisms and perhaps even bring about ecological catastrophe.

An understanding of the fact that even a relatively insignificant nuclear conflict is fraught with the danger of the death of civilization lends particular importance to the exclusion of wars from the life of mankind and the establishment everywhere in international relations of a new political practice and new political thinking based on the idea of peaceful coexistence and puts the problem of mankind's survival at the center of world politics.

Revelation of the global climatic consequences of a thermonuclear conflict in which only a comparatively negligible part of the nuclear weapons stockpiled today is used poses many questions of paramount importance. Objective scientific research shows, for example, that an attempt to launch a so-called first "disarming and decapitating" strike would be disastrous for the aggressor even if he did not experience the gravity of a retaliatory strike. The severe frosts of the "nuclear winter" paralyzing the economy and destroying harvests would be a kind of boomerang hitting whoever in a fit of militarist madness unleashed a thermonuclear war. "A major first strike," C. Sagan writes, "could be an act of national suicide, even if retribution does not follow."\*

Thus scientists of world renown, American included, have demonstrated convincingly that the "limited" nuclear wars concept, which occupies a large place in the Pentagon's strategic developments, is not only exceptionally dangerous for mankind but loses any military-political meaning altogether. A "limited" nuclear conflict, not to mention a "total" exchange of thermonuclear strikes, simply cannot merely by virtue of its geographical and economic consequences be an instrument for the achievement of political or military goals.

Discovery of the "nuclear winter" phenomenon testifies with all certainty that removal of the military threat and an end to the arms race are the most urgent and truly paramount tasks for all countries and peoples, in whatever corner of the planet they are situated.

An event of truly historic scale was the program for nuclear disarmament by the year 2000 set forth in the statement of M.S. Gorbachev, general secretary of the CPSU Central Committee, on 15 January 1986. Never before has mankind been offered such a bold, wide-ranging, detailed and multifaceted set of measures whose realization could remove for all time the threat of nuclear destruction, including the prospect of a climatic cataclysm. The statement not only names the ultimate goals but also determines the temporal stages of their achievement and proposes constructive and realistic solutions of many complex problems of a reduction in military potentials taking into consideration the security interests of both the nuclear and nonnuclear states.

Considering it impossible to overlook even the slightest chance of progressing toward a more stable and stronger peace, the Soviet leadership is endeavoring by force of example and arguments to break with the dangerous course of events and develop political dialogue. Such a policy made possible the Soviet-American top-level meeting in Geneva in November 1985, which was a most important political

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\* FOREIGN AFFAIRS, Winter 1983/84, p 292.

event of international life. A fundamentally important result of the meeting was the fact that the leaders of the USSR and the United States declared in a joint document that nuclear war must not be unleashed, emphasized the importance of the prevention of any war--nuclear or conventional--between the USSR and the United States and undertook not to aspire to achieve military superiority. The top-level meeting initiated a dialogue for the purpose of achieving changes for the better in Soviet-American relations and in the world at large.

However, the policy of the leadership of the United States and a number of its NATO allies is taking shape largely under the influence of circles who are unwilling to come to terms with objective realities. They are characterized by, in particular, an orientation toward power confrontation as far as nuclear brinkmanship and an endeavor to achieve military superiority.

The security concept which has been adopted today in the United States does not take account of the interests of other states, primarily the USSR. It proceeds from the fact that S&T "breakthroughs" and use of the achievements of the most modern technology for military purposes will sooner or later extricate the United States from the "nuclear deadlock" and secure for it the predominant positions in the system of international relations. Such a policy, which gives rise to the nuclear arms race, is today the main source of the military danger. Serious disquiet is caused by the fact that the reckless military-political goals of militarist circles are being underpinned by the creation of increasingly new arms specially intended for their realization.

The U.S. Administration's endeavor to develop effective ABM systems and create a new class of weapons--strike space-based arms--represents a particular threat. Implementation of these plans will initiate a new round of the arms race and spur it on in all areas. The ABM Treaty and the agreements limiting strategic arms--mechanisms limiting the military confrontation--will be jeopardized. The danger of a war being unleashed and, consequently, the likelihood of climatic catastrophe is growing.

The strategic thinking predominant currently in U.S. military-political circles largely determined their reaction to the discovery of the "nuclear winter" phenomenon. Statements concerning the need for the development of means of warfare specially intended for operations under low temperature conditions and the heavy dust content of the atmosphere ensued. Thus J. Gertler, an employee of the Rand Corporation, expressed concern that the discharge into the atmosphere of soot, fly ash and dust and also the mass conflagrations might, apart from all else, disable or "blind" reconnaissance satellites, ABM system sensors and so forth. "We will probably have to develop alternative means of gathering intelligence information,"\* he declared.

Some American military theorists are attempting to persuade public opinion and political circles that the discovery of the "nuclear winter" phenomenon dictates the need for the development and urgent adoption of binary chemical ammunition, superpowerful types of conventional arms and a buildup of general forces. The leitmotiv of their arguments is fundamentally primitive: if nuclear war is impossible, we need to prepare urgently for conventional or chemical warfare.

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\* J.J. Gertler, "Some Policy Implications of Nuclear Winter," January 1985, p 13.

Such recommendations are nothing other than a cynical attempt to adapt to modern conditions military-political concepts which long since came into conflict with the very course of historical development and the trend toward states' interdependence, which is blazing a trail for itself increasingly manifestly.

Responding to the appeal of the American Union of Concerned Scientists, M.S. Gorbachev emphasized: "What is needed now more than ever is a farsighted policy based on an understanding of realities and the dangers which we will inevitably encounter tomorrow if today those who can and must adopt the sole correct decision shirk their responsibility."\*

The "nuclear winter" concept broadens appreciably the scientific understanding of the realities and dangers of the modern world and confirms the urgent need for restraint and responsibility in policy and a renunciation of "power" dogmas and stereotypes. The results of the research of scientists of the most varied disciplines emphasize once again that the national security of any state--from the biggest and most powerful to the smallest--may be ensured only on the paths of a strengthening of security and the general promotion of equal security for all.

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\* M.S. Gorbachev, Op.cit., p 187.



## INTEGRATION OF CEMA STATES' PLANNING ORGANIZATIONS DESCRIBED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86  
(signed to press 13 May 86) pp 87-93

[Article by N. Bautina and V. Samovol: "An Increase in the Efficacy of the Planning Mechanism of the CEMA Countries' Cooperation"]

[Text] The CPSU Program advances as a most important task in the sphere of economic relations with the socialist countries movement toward the foremost boundaries of science and technology for the further growth of the well-being of the peoples and a strengthening of their security. An all-around upgrading of the planning principles of the CEMA countries' economic interaction should be subordinated to the accomplishment of this task.

Joint activity in the planning sphere is, as the Comprehensive Program of Socialist Economic Integration adopted by the CEMA countries in 1971 puts it, the main method of the organization of mutual cooperation. This proposition was confirmed in the decisions of the CEMA countries' top-level economic conference (June 1984, Moscow). The plan-based nature of the fraternal countries' foreign economic relations and the conscious use in the international sphere of the law of plan-oriented (proportional) development ensure the stability and balance of the dynamically developing integration processes.

A constant upgrading of the forms and instruments of the international planning mechanism within the CEMA framework is an essential condition of the accomplishment of the increasingly large-scale tasks of socialist and communist building. As the CPSU Central Committee April (1985) Plenum observed, "whatever question we examine and from whatever direction we approach the economy, ultimately everything is based on the need for a considerable improvement in management and the economic mechanism as a whole."

An urgent task of the progressive development of socialism is the transition of the economy to an intensive track with the aid of a set of measures to speed up S&T progress and the application and mass dissemination of its achievements in all spheres of human activity. In accordance with the demands for an intensification of economic development, a great deal of work is being performed in many CEMA countries on the qualitative transformation of the material-technical base of production. For the purpose of the solution of large-scale national economic problems changes have been made to planning, management and cost accounting.

Development of the mechanism of international cooperation is closely interconnected with processes of an upgrading of the national systems of planning and control of the economy. A mutual enrichment of the national systems of control of the economy by way of the exchange of experience and the formulation of concerted approaches to the solution of common problems both in the intra-economic sphere and in the sphere of international cooperation is under way.

## I

The goals and tasks ensuing from the coordination of the CEMA countries' economic and S&T policy are realized via an international planning mechanism. It incorporates long-term cooperation programs, the coordination of national economic plans, joint planning and forecasting in various branches of science, technology, production and foreign economic ties and the exchange of national experience of the upgrading of systems of planning and controlling the economy. The said forms of interaction of the economies determined by the Comprehensive Program of Socialist Economic Integration are being developed increasingly in practice.

The upgrading of these forms has undergone a number of consecutive stages. The specifics of the present stage consist on the one hand of the realization of a considerable number of integration measures requiring the comprehensive, concerted solution of specific questions pertaining to S&T and planning-design work, investment-funding support and production, marketing and so forth directly. On the other, in order for the cooperation to be efficient the coordination of managerial and organizational decisions pertaining to various levels of control of the economy is essential.

It is no longer sufficient under the new conditions to perfect individual forms of joint planning activity. In order that the level of foreign economic relations correspond to the process of the internationalization of the productive forces it is necessary to intensify the comprehensive nature of cooperation in the sphere of planning activity and enhance its fruitfulness thanks to the concerted use of various components. Thus a principal direction of an upgrading of joint planning activity consists of its systemic nature and increased degree of wholeness of the cooperation planning mechanism.

The scale of the tasks confronting the fraternal countries presupposes a strengthening of the strategic nature of the interaction of the national economic complexes based on the coordination of economic and S&T policy. What is meant is the collective formulation of ways of solving the large-scale problems which are of mutual interest and which are of importance for determining the directions of economic development and cooperation for the long term: the joint selection of the paths of direct interaction in the spheres of science, technology, material production and capital construction.\* This will make it possible to enhance appreciably the efficiency of the use of the socialist community countries' economic and S&T potentials.

The CEMA countries coordinated economic policy earlier also. It was deemed advisable for the development of this exceptionally important area of cooperation

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\* See "Top-Level CEMA Economic Conference," Moscow, 1984, p 20.

to conduct regular meetings at the level of the top party and state leadership in the course of which economic strategy for the long term would be coordinated.

A priority task is joint determination of the paths of the S&T and industrial development of the selected key sectors and spheres of economic activity and their provision with resources. The choice of the priority areas of cooperation for the purpose of an acceleration of S&T progress is connected with the growing role of the corresponding branches of science and technology in overcoming the resource, ecological and other barriers to economic growth.

An important step was the preparation of the Comprehensive Program of the CEMA Countries' S&T Progress up to the Year 2000, which incorporates a number of programs for concerted areas of science, technology and production. Among the areas earmarked as priority are computerization of the economy and the comprehensive automation of production based on computers and industrial robots; the creation and assimilation of new types of construction materials and their processing techniques; nuclear power engineering and its use for the generation of electric power and district heating needs; and biotechnology as the basis of an increase in the yield of agricultural crops and the productiveness of animal husbandry and also the effectiveness of medicinal preparations. Altogether the program incorporates approximately 100 different problems. In the next 3 years even realization of the majority of them will have led to the application in production of new product and technology models.

The socialist community countries link with realization of the Comprehensive Program the accomplishment of most important national economic tasks--a steep upturn in social production efficiency and emergence at the foremost boundaries of science and technology. The directions of the work contained in the program are geared to stimulation of the direct interaction of science and production and breakthroughs into new branches of learning.

The tasks of the long-term interaction of the fraternal countries in the creation of a firm basis for the formulation of concerted and, in certain spheres, uniform S&T policy and the practical realization in common interests of the highest achievements of science and technology were at the center of the attention of the participants in the 41st (special) CEMA Session (December 1985), which unanimously approved and adopted the Comprehensive Program of the CEMA Countries' S&T Progress up to the Year 2000.

As N.I. Ryzhkov, chairman of the USSR Council of Ministers emphasized in his report at the 27th CPSU Congress, "The center of integration activity is now shifting to the joint assimilation of the latest S&T achievements and the development of large-scale cooperation in all sectors of the economy, primarily in the manufacture of modern types of machinery and equipment." Realization of the program's goals has already begun. In the first half of 1986 alone it is planned concluding within the CEMA framework 67 new agreements and amplifying 84 operating ones.

The program's measures are reflected in national socioeconomic development plans. Approximately 700 top, most authoritative research, design and scientific-production outfits will participate in realization of the integration measures. In accordance with a CPSU Central Committee Politburo decision, organizations of

a fundamentally new type are being formed in the Soviet Union--intersectoral S&T complexes. They will almost all become the head outfits in respect of problems of the CEMA Comprehensive Program.

The program will make it possible to link S&T cooperation more closely with the central tasks in the sphere of material production and overcome the certain discreteness of these two most important directions of integration. The program is to be the pivot of all forms of the cooperation planning mechanism. This presupposes an upgrading of the traditional and development of new outlines of the plan-based interaction of the national economic complexes aimed at the efficient accomplishment of large-scale socioeconomic tasks.

As national experience shows, the most important programs of S&T development are the initial base for a comparison of socioeconomic plans, which conditions their efficacy. It is also evidently expedient to employ such an approach when determining the relations between CEMA's Comprehensive Program of S&T Progress and the coordination of national economic plans. In turn, this will make it possible to orient the national plans to a greater extent toward realization of a concerted strategy of the development of the socialist community and increase the substantiation and reliability of the long-term agreements. At the same time such an approach will contribute to the removal of the contradictions between annual planning actually ensuring operational leadership of a country's economy and the coordination of 5-year plans practiced without an annual breakdown.

The problem of the organic linkage of the content of the main blocks of the Comprehensive Program of S&T Progress with the coordination of national economic plans for the coming 5-year period and the more distant future is among the priority tasks of an upgrading of the cooperation planning mechanism. Collectively formulated accords will be realized via a system of interlinked agreements. They are being concluded at government and department level and also between research, business and other organizations of the CEMA countries. This is stimulating the interaction of the national economic complexes at all levels of management of the economy. Importance is also attached to the development of other promising forms of cooperation, particularly the joint scientific-production associations working to common plans. The agreement on the first multilateral organization of such a type--"Interrobot"--was signed at the 41st (special) CEMA Session.

The trend toward the comprehensive study of integration projects is developing in the practice of planning cooperation.

In accordance with the Program of Coordination of the CEMA Countries' National Economic Plans for 1985-1990, which was adopted at the 36th CEMA Session, the concerted development of questions of S&T and production cooperation and also the creation of the S&T prerequisites for the solution of most important economic problems for the long term are proposed. The program envisages the coordination of the basic forms and conditions of the participants' integration interaction with regard for their comprehensive solution.

In accordance with the decisions of the economic conference, work on the preparation of integration measures in the priority fields was initiated in the course of coordination of the 5-year plans. They include a long-term program of



the construction of nuclear power stations and nuclear heat supply stations and the creation of new, more progressive automated equipment for them. Efficient types of fast-neutron reactors are being developed and the existing types of power reactors are being upgraded.

To provide the CEMA countries with fuel-energy resources new production capacity is being created and the use of the most important types of resources is being qualitatively improved. Thus together with the plans for the development of the Yamburg gas deposit and the construction of a trunk gas pipeline to the USSR's western border joint S&T work to upgrade engineering processes and equipment for heavy petroleum refining is envisaged.

The CEMA countries are cooperating actively in the development of automated engineering processes and the assimilation of the industrial production of particularly pure substances necessary for electronics and instrument making.\* The fraternal countries are uniting their S&T potentials in the production of industrial robot-mechanical arms for various sectors of the economy, flexible machine-tool systems, including those with numerical programmed control, progressive programmed control systems for metal working, a uniform system of switching equipment facilities and so forth.

The said questions are paramount in the draft Guidelines of the USSR's Economic and Social Development in 1986-1990 and the Period up to the Year 2000. These once again confirm the principle of the organic combination of national interests with the common, international interests of the community as a whole.

## II

The program method of the organization of mutual cooperation is, as the experience of recent years has shown, an important means of planning management when tackling key national economic tasks. An intensification of economic growth based on an acceleration of S&T progress demands the speediest surmounting of the exclusiveness of S&T, investment and production cooperation. The wide-ranging technological revolution and the dynamic renewal of the production machinery are giving rise to the need for the close linkage of S&T and investment problems with the development of material production.

The comprehensive approach to the solution of complex problems of international economic relations was expressed, in particular, in the development on the eve and at the outset of the 1980's of long-term targeted cooperation programs. More than 230 multilateral agreements and contracts embracing various aspects of integration interaction have been signed in the course of their realization. The facilities being realized on a multilateral basis include such major construction projects as the 4 million-kilowatt Khmel'nitskiy Nuclear Power Station;\*\* the Krivoy Rog Mining-Concentrating Works intended for the manufacture of 12.8

\* According to available estimates, failure to observe in the production of microelectronic parts the requisite purity of the source materials could reduce output 50 percent.

\*\* In addition, the USSR and Romania have concluded a bilateral agreement on the construction of the South Ukraine AES of the same capacity.

million tons of iron ore pellets a year; capacity for the production of nickel- and cobalt-containing products based on the Las Camariocas deposit (Cuba); and a number of others. In addition, more than 200 agreements and contracts have been signed on the international specialization and cooperation of production and S&T cooperation. Approximately 200 measures in various spheres of the CEMA countries' economy are being implemented within the framework of the programs altogether.

Attention to the comprehensive solution of questions of cooperation has increased considerably recently in connection with the development of long-term programs in the priority fields of science, technology and production. The master agreement on multilateral cooperation in the development and organization of the specialized and pooled production of flexible production systems for machine building and their extensive application in the economy, which was signed at the 40th CEMA Session, in particular, testifies to this. Its realization will contribute to the further upgrading of the structure and enhanced engineering level of the participants' national economies.

The master agreements on multilateral cooperation for the development of micro-processor equipment and also the development and organization of the specialized and pooled production of industrial robots, which were signed in 1982, are major programs of the assimilation and use of the latest models of equipment and technology. Several dozen types of industrial robots are being developed currently, and work has started on the creation of a considerable number of types of machinery and equipment using them. By 1990 the pool of industrial robots in the CEMA countries is to have reached 200,000.

Cooperation in the sphere of the development of new computer facilities is developing dynamically. Reciprocal supplies thereof doubled in the period 1981-1985 and amounted to approximately R15 billion. An agreement on the creation of a common standardized base of electronic engineering products is being implemented. Thanks to the expansion and deepening of production specialization, the number of types of these products coordinated for reciprocal supplies for 1986-1990 will have increased 35 percent compared with 1981-1985. Specialization is being extended mainly thanks to new, promising and most intricate microelectronic products.

It has at the same time to be noted that the realization of many important cooperation programs is coming up against a number of bottlenecks. One such is the inadequate reflection in the agreements of investment support.

The use of various forms and methods of cooperation in the sphere of planning activity represents considerable potential for an increase in the efficacy of comprehensive programs uniting a wide spectrum of S&T and production measures. In addition to joint forecasting and the coordination of plans of S&T work, which are partly employed here, joint planning could be an important instrument of ensuring a comprehensive approach to problems of S&T and production cooperation. It embraces the most important stages of the realization of major integration projects: science--technology--investments--production--realization.

The tasks of the current stage of integration cooperation require an improvement in all components of planning activity and new approaches to the realization of

traditional forms which have given a good account of themselves. Essential here on the one hand is a solicitous attitude toward the accumulated wealth of experience and, on the other, the elaboration of new forms and instruments of integration interaction suited to the tasks of an intensification of the economy and increased efficiency in all spheres of the economy.

The policy of an acceleration of S&T progress presupposes increased attention to forecasting activity aimed at the comprehensive substantiation of the jointly adopted decisions. In the 1970's the CEMA authorities embarked on the elaboration of a considerable number of forecasts of an economic, sectoral and S&T nature. More than 400 collective forecasts have been prepared as of the present time. These are studies of the long-term trends of the most important general economic indicators of the CEMA countries, an analysis of the prospects of S&T progress in various spheres and the development of individual sectors and types of production. At the same time such work is still insufficiently oriented toward the priority areas of mutual cooperation. It is essential in the joint forecasts to pay increased attention to world trends of production and S&T progress.

An important direction of cooperation in forecasting is the fuller use of various national developments, particularly those which examine the prospects of the national economy's development in the system of the world economy. Exchanging the results of such forecasts and also conducting such research on a collective basis would seem expedient. Collective forecasting should serve the greater efficacy of the coordination of national economic plans. As yet, however, the practice of the collective forecast work is insufficiently linked with the coordination of national economic plans on a multilateral and bilateral basis.

The coordination of national economic plans--the nucleus of cooperation in the sphere of planning activity--is the main instrument of the coordination of economic policy in the most important spheres of socioeconomic and S&T development. The fruitfulness of all other forms of cooperation must be evaluated primarily by proceeding from the extent to which they promote the efficacy of the coordination of national plans.

### III

The integration planning mechanism is based on national systems of planning and management of the economy, by means of which collectively formulated decisions are realized. For this reason problems of an improvement of joint planning activity should be examined in close interconnection with questions of the development of national economic mechanisms.

Essential changes have occurred in these mechanisms in recent years, in centralized planning leadership included. It is important to note that despite the entire diversity of forms and methods of tackling urgent socioeconomic tasks, their core is national economic planning. General changes in the systems of national economic planning are the plans' orientation toward end national economic results; broadening of the functions pertaining to the elaboration and supervision of the fulfillment of plan quotas among different levels of the managerial structure; and the participation in the elaboration of national economic plans of the labor collectives and their increased responsibility for realization of the plan.



Two basic trends which are in dialectical unity may be distinguished in the development of the planning mechanism of socialist production. First, there is a strengthening of the conceptual nature of the decisions adopted at the upper levels of the system of control of the economy, and a comprehensive approach to the accomplishment of the strategic tasks of economic growth is being introduced consistently. The functions of centralized planning are being concentrated to an increasingly great extent in the strategic directions of the development of the economy.

Second, the sphere of the economic independence of the enterprises, associations and works, catering for the initiative of the labor collectives and enhancing their responsibility for the results of production, is being extended. The state planning authorities are transferring to lower levels of management the right to specify planned tasks determined centrally and the choice of methods of their accomplishment. The basic industrial components (associations, works, enterprises and other business organizations) actually participate in all phases of the elaboration and implementation of national economic plans.

The orientation of national economic planning toward the achievement of end results has determined changes in the system of directive indicators. Its center of gravity is shifting toward an evaluation of product quality and production efficiency. The directive parameters also include the so-called valuation indicators of economic activity. As far as the theory and practice of the coordination of national economic plans are concerned, indicators of an evaluation of the realization of the measures ensuing from the coordination have yet to be formulated here.

Despite all the diversity of methods of conveying the items of the official plan to the basic economic component, what they have in common is the extensive use of long-term economic norms. Thus, for example, the task that has been set in the USSR is that of completing the transition in planning to normative methods both when determining outlays and when forming targets pertaining to efficiency and satisfaction of social requirements.

Of course, the methods of the elaboration and specific forms of such norms differ appreciably by country. At the same time the increased economic substantiation of planning decisions jointly adopted within the CEM framework requires coordination of the principles and methods of regulation of economic activity. This makes it possible, without infringing the rights of independent decision-making, to increase the executant-enterprises' interests in the realization of measures of economic and S&T cooperation.

The coordination of economic norms is an essential condition of the intensive development of production cooperation and an acceleration of the integration process at enterprise, association, works and so forth level. A most important form of the accomplishment of this task is the establishment and dynamic development of immediate (direct) ties between basic economic components of the CEMA countries. The task of the mutual adaptation of the corresponding elements of the national economic mechanisms arises under the conditions of the effect of different economic norms.



The direct ties should be linked with the coordination of national economic plans. It is evidently advisable to determine the long-term goals, the choice of facilities and the partners in the direct ties by proceeding from the decisions agreed in the course of coordination of national economic plans, with regard for the economic practice in individual countries. Whereas the strategic and tactical tasks of cooperation are formulated at the macrolevel here, the specification and choice of methods of their accomplishment should be within the powers of the subjects of the direct ties. A whole number of tasks arises here which have yet to be tackled in the theory and practice of integration interaction at the microlevel. They include the formation of a distinctive mechanism of financially autonomous relations between the partner-organizations.

Direct ties between enterprises, associations and business organizations make it possible to provide for the solution of questions of R&D, the development of capacity (primarily by way of reconstruction and modernization), production of products and the marketing thereof and also after-sales service.

The procedure for the practice of direct ties is determined by each country's national legislation. This form of cooperation was given new impetus by the CPSU Central Committee Politburo decision adopted in June 1984. It approved the measures elaborated by the USSR Council of Ministers pertaining to the creation of the necessary conditions for the development of international production and and scientific-production intersectoral cooperation and the upgrading of direct ties between ministries, departments, associations, enterprises and organizations of the USSR and the other CEMA countries. To accelerate the application in production of joint S&T achievements the parties to the direct ties are stimulated via appropriate funds from industrial and foreign trade association, enterprise and organization deductions. The rights of sectoral ministries and departments pertaining to the development of production cooperation have been expanded considerably.

Direct ties are not a new phenomenon in the economic activity of the CEMA countries. Their quantitative dimensions are very substantial. More than 4,000 enterprises are partners in this form or the other in direct ties. Over 1,300 production outfits of the USSR are participating in such contacts with 1,500 enterprises and organizations of the fraternal countries. The development of direct ties is becoming an important component of the long-term cooperation programs. Thus, for example, within the framework of the Long-Term Program of the Development Economic and S&T Cooperation for the Period up to the Year 2000 the USSR and Poland have agreed on the establishment of direct ties between Soviet and Polish enterprises and scientific-production associations (54 from each side). Production cooperation in the auto industry is being practiced successfully. The examples of cooperative ties of the Volga Auto Plant and the Kama Truck Plant with enterprises of CEMA countries are widely known.

The experience of the development of direct ties in machine-tool building is highly indicative. For more than 20 years now the Moscow Metal-Cutting Machine Tool Experimental Research Institute has been linked with corresponding research centers of the European CEMA countries. As a result the quality of the products has risen and a rational structure of the manufacture of components is taking shape between the countries.

At the same time practice has contributed to the ascertainment of a number of problems concerning primarily the choice of partners for direct ties. The organization of a precise system of information in this sphere represents appreciable potential for an improvement in the situation. Another problem is the extraordinarily complicated nature of procedure of the coordination of agreements governing direct ties, particularly the economic conditions of cooperation at the microlevel. Finally, imparting to the direct ties a continuous nature would contribute to the consolidation of mutually profitable cooperation.

An essential problem of the development of international economic ties at the microlevel is the linkage of national cost accounting mechanisms with price-forming processes on the CEMA countries' market and the coordination of their currency exchange rates and credit relations. Of course, a rapid solution of such complex questions is hardly to be expected. Nonetheless, the formulation of a concerted approach, a uniform understanding of their significance and an outline of paths of a solution are possible even at the present time.

Fuller use of the officially approved planned regulation of the fraternal countries' national economies could contribute to the accomplishment of the said tasks. Thus increased attention within the framework of coordination of 5-year plans to the coordination of the economic conditions of cooperation would make it possible to enhance the degree of balance of trade and payments relations. Forecasts of the dynamics of world and foreign trade prices could be of a certain benefit.

A principal, still insufficiently used reserve is a broadening of the exchange of national experience in the sphere of planning and management from the upper to the middle and lower levels of the managerial structure and the enlistment in this process of sectors, associations, enterprises and business and other organizations.

Currently the exchange of experience at enterprise level is practiced, for example, in light industry of Bulgaria, Hungary, the GDR, Poland, the USSR and the CSSR. It has contributed to the development of an economic experiment in the light industry of the Estonian SSR. The form of "economic familiarization" is promoting the emergence of direct ties between enterprises, associations and works. The experience of international scientific-practical conferences for an exchange of experience in the sphere of management, planning and economic stimulation in the light industry of the CEMA countries testifies to this.

Today the state of direct ties is such that an international economic experiment would seem useful. It should contribute to a verification of decisions, determination of the best of them, a collation of positive experience and also an analysis of the problems impeding the development of the given field of integration. Collation of the experience accumulated in the course of such an experiment would expand appreciably the basis for the development of direct ties between main economic components of the CEMA countries.

The intensification of integration interaction demands the further development of the forms and methods of planned regulation of the CEMA countries' foreign economic ties. This task is being tackled by the collective efforts of the socialist countries. The CPSU Program observes that the CPSU will participate

actively in the fraternal countries' joint work on the coordination of economic policy, an improvement of the mechanism of economic interaction, the quest for new forms thereof, an extension of production specialization and cooperation, plan coordination, the exchange of progressive experience and the establishment of direct ties between associations and enterprises. The CPSU will contribute to an enhancement of the role of CEMA and an expansion of economic and S&T cooperation on the basis of the bilateral and multilateral programs.

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## PROBLEMS POSED BY COMPUTER REVOLUTION IN WEST DISCUSSED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86  
(signed to press 13 May 86) pp 113-120

[Article by Yu. Baturin: "Information Science and Policy--the Obverse of Computerization"]

[Text] "The science and technology of our time afford an opportunity for ensuring on earth an abundance of blessings and creating the material conditions for the flowering of society and the development of the personality," the CPSU Program observes. "And these creations of man's mind and hands, by virtue of class egotism and for the sake of the enrichment of the elite which holds sway in the capitalist world, are turned against man himself. Such is the glaring contradiction with which mankind has arrived at the threshold of the 21st century."

A graphic example of how the fruits of S&T progress under capitalism are being put to the service of goals hostile to the interests of man and the individual is the use of the latest achievements of information science. The mass use of computers, microprocessors and the information systems which have been created on the basis thereof under the conditions of bourgeois society is resulting in ugly and dangerous phenomena and trends in various spheres of life, political included.

### In the Electronic Eye

A photograph and subsequently the personal signature of the person portrayed in it are transmitted by laser beam onto a rectangle of laminated plastic. Both now constitute a single whole (this is roughly how the markings are entered on banknotes). Such complex precautionary measures have been adopted to prevent the forgery of two lines of figures and letters of a perfectly definite size and shape. They are the optical code for automatic computer reading with the aid of a special attachment. And the sheet of plastic is being inserted as a second page in the common European passport introduced in the EEC countries as of 1985.

Acute political debate has begun in some Common Market members in this connection between the supporters and opponents of personality "coding". For understandable reasons it is giving rise to particularly unpleasant associations in the FRG. "Germany has already practiced people numbering: we recall Auschwitz! What



about those who even today carry on their person these tattooed Auschwitz numbers?" the Hamburg magazine DIE STERN bitterly asks. "...And if a sense of elementary shame does not restrain the politicians... from attempts to once again subject their 'subjects' to 'numbering,' let them just read the constitution to understand that 'coding' a person means violating his rights and flouting his dignity."

Given these precautionary measures which are being employed in the preparation and issuance of Europassports, forging them will, of course, be difficult. Although, specialists acknowledge, there remains the possibility of using, in the event of a minimal outward similarity, another's ID. In addition, a member of the Bundestag from the Greens Party suggests, the day is not far off when people will have learned to forge "nonduplicable" ID's also.

But the main thing lies elsewhere--the extent to which there is an increase in the "transparency" of an individual with the introduction of the Europassport. A policeman with an ID in his possession would only have to run the strip containing the code through an electronic-optical reading device switched in to a computer terminal and in 2 seconds he would have from the computer file instructions concerning how to handle the owner of the passport.

Together with such ID's there also arises the possibility of their being used for the exercise of total control, DIE STERN warns: "From the technical viewpoint recording in an electronic brain everything that the state knows about us and believes that it knows or should know: whether or not a person has a police record, for what and how many times; whether he has taken part in demonstrations and the way in which he called attention to himself here; whether he is considered loyal or an enemy of the constitution; whether he is a member of the Communist Party or only supports it; ...whether he has been subjected to 'professional ban'; ...to what religion he belongs... presents no difficulty."

Under the conditions of opposition to the introduction of the Europassport in its present form the FRG authorities adopted the decision that the new ID would be current only when all the problems arising in this connection had been removed. But in practice this decision is nothing more than political affectation for even without a passport with an electronic code the country's police services have extensive opportunities for the constant surveillance of "suspicious" elements. In order to find oneself among them it is sufficient to be traveling on a train on which some terrorist has been arrested: an electronic file is established on all of its passengers by the central computer of the Federal Criminal Proceedings Department in Wiesbaden.

There is one further circumstance causing public concern in the FRG and other West European states. The point is that the Europassport is linked with the establishment of a so-called "European legal zone". Its creation provides for the unification of the police systems and punitive machinery of the Common Market countries. It is also contemplated standardizing laws limiting citizens' democratic rights. It is indicative that the standardization of the shape and size of the symbols of the Europassport's coded strip was carried out within the framework of the international organization of crime police (Interpol).

At the 54th general assembly of this organization held in Washington at the end of 1985 U.S. representatives sought a modification of the corresponding articles of its charter which would make it possible to enlist Interpol in political persecution. Addressing the assembly, this country's attorney general, E. Meese, declared that an efficient exchange of information, on "crimes of a political nature" included, had been established between the United States and the Western members of Interpol and that it should be extended.

The unification within the "European legal zone" framework of computer files into a common system also serves the goals of such information exchange. In France the file service on wanted persons, the main external security agency, the office for combating terrorism, military counterintelligence and others have computer files. In Great Britain those in possession of the biggest computer files are MI5 (counterintelligence) and MI6 (intelligence). A counterintelligence department bearing the stamp A-1 is connected with the computer files of the Ministry of Health and Social Security, which contain data on practically all adult inhabitants of the country, and also the computer files of Scotland Yard and the Inland Revenue and other departments. In January 1982 the OBSERVER newspaper recounted how files had been established on certain members of the Social Democratic Party: 10 years prior to this they had participated in the organization of a campaign against apartheid in South Africa.\*

In the light of these facts the high-sounding declarations of the British authorities that Great Britain could accommodate the notorious plastic page with the optical code not at the beginning but at the end of the Europassport is nothing other than hypocrisy.

In some bourgeois countries the computerization of society has summoned into being legislative regulation of the gathering, processing, storage and use of information on the citizens. It is significant, however, that the laws proclaim general principles of the use of information on an individual and declare citizens' rights, but then provide for numerous exceptions thereto. In other countries, however, like the FRG, for example, legislation places no restrictions on the state authorities' gathering of such information. In addition, the federal law on protection against abuse of data on an individual at the time of the processing of information contains a list of the establishments whose activity in the gathering and storage of information on citizens' private life remains beyond any control. Among such establishments are the Department for Defense of the Constitution, military counterintelligence, the Federal Criminal Investigation Department, the attorney general's office and the police.

But the West Europeans have far to go to catch up with their American colleagues. The National Security Agency (NSA)--the secret organization of the U.S. Government handling electronic intelligence--has a personnel strength six times as great as the CIA. The NSA, which has listening stations scattered throughout the nonsocialist world, monitors telegraph and telephone communications between subscribers in the United States and overseas (not to mention the reading of mail). When the high-speed computers come across a predetermined key word ("communist," "human rights" and so forth) signifying that the wording in question could be of

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\* For more detail see G.L. Simons, "Privacy in the Computer Age," Manchester, 1982.

interest to the agency, a copy is made for further study. The conversations of 59 persons are recorded per wiretap on average. In the period between 1945 and 1975 the NSA obtained copies of almost all telegrams sent overseas. During the Vietnam war the NSA monitored the conversations and correspondence of the well-known actress J. Fonda, Dr B. Spock and others who were on the "black list" of opponents of the war. Owing to the tremendous growth of information to be monitored, there has today been somewhat of a "division of labor" among the United States' special services.

When a powerful computer was connected to the telephone system of Bucks County (Pennsylvania), the authorities announced that it was intended for the rapid recording and transmission to the police and rescue services of urgent calls in the event of fire or burglary. Only 2 years later was it ascertained that the computer's main function was by no means the recording of calls about crimes and accidents but the total electronic surveillance of the population of the county. All telephone conversations were recorded, and if the slightest dissidence was discerned in them, the totally unsuspecting citizens of the "most democratic country" ended up on the list of unreliaables. Such is the principal purpose of computer surveillance, from which Americans can today no longer hide even in church. It was revealed at a trial in Phoenix (Arizona) that even "God's church" had henceforward ceased to be secure: the FBI had installed listening devices in a number of churches of the state.

The progressive public in the United States is raising the question of the illegality of electronic surveillance and also the ineffectiveness of the provisions of the law prohibiting such practice. But it transpires that situations arise at every step which are not regulated at all by any law--they simply do not exist. So rapidly is computer technology becoming a part of everyday use.

For example, in line with the progress in this sphere there is a fusion of computers and means of communication. Americans called this symbiosis the extremely inharmonious "communications"; the French somewhat later invented the more elegant term of "telematics". But it is not, of course, a question of the name but of the essence. Given the use of telematics, the 1968 act regulating the monitoring of information conveyed by telephone and other channels of communication which does not affect U.S. security interests becomes absolutely meaningless. The act prohibits the acquisition of such information by wire taps. This means that intercepting a conversation which may be heard and understood is considered illegal. But monitoring computer conversations, which, although sometimes accompanied by audible signals--sounds--cannot be understood by ear, is not covered by the act.

At the dawn of the "electronic age," when computers were growing rapidly, fears were expressed that a giant computer would one day appear capable of storing data on all citizens. Technical development took a different path. Large, mid-sized and home minicomputers have been united in a system of unimaginable complexity and have "learned" to converse. Thanks to this, it is possible to reserve a seat on an airplane, do one's shopping and send a telegram. But there is the other side of the coin also. A person's "information marks" remain in the computer's memory: to which publications he subscribes, which books he orders in the library, what his financial position and state of health is, where he presents a check for payment, when he purchases goods and for what amount. As a result--



what's the point of special services!--all sales-financial organizations and, given a certain ability, any person may track your actions and movements.

No less vulnerable are the users of electronic mail. Whereas special authorization is required for opening letters sent by U.S. Mail, wording transmitted from the screen of one computer to another may be read without authorization from the Justice Department and unknown to the correspondent and addressee by officials of the judicial-police authorities and even chance individuals. According to a leading Rand Corporation specialist, "the legal umbrella for such information has been made from rags."

The greatest opportunities for computer surveillance are afforded by two-way communications in the system of cable television. Subscribers discover from time to time that the opinions which they have expressed are sold to political parties with their names attached. There are no federal laws in the United States protecting the two-way transmission of information by television cable. Only a few states have legislatively prohibited companies possessing computer communications systems from disseminating information of a personal nature. The U.S. Administration is expressing no desire to solve the problem of computer surveillance. What is wrong here?

#### The Dangerous 'Games' of Professionals and Amateurs

The injunction: "Peace Through Tyranny" may be read on the boxes containing the "Transformers" toy military robots. Computerized bourgeois society has been hit by a new disease. It is being manifested there the more rapidly, the more the number of people find themselves in the "electronic eye". It has been recorded in a number of Western countries and has become particularly widespread in the United States.

First of all, everyone has an interest in its symptoms. How about this....

Learning that a scheduled Aeroflot flight was carrying the USSR ambassador to the United States, an air traffic controller at John Kennedy Airport deliberately changed the information in the computer, designating the huge airliner a light-engined aircraft. As a result the airplane was indicated a dangerously low flying altitude. Fortunately, the "computer error" was rectified in time.

Where here is the boundary between political provocation and crime! The instance of negligence when compiling the program for the navigational computer, when in the subsequent air catastrophe 257 persons died, was put in the category of computer crime in the United States. At the same time, however, the air traffic controller who had cynically played with the lives of the people on board the Soviet airplane was merely fined, but had no criminal proceedings brought against him. A political character is increasingly typical of computer crimes. As specialists observe, a considerable number thereof is being perpetrated for political reasons.

Use is frequently made in the foreign trade practice of many Western firms specializing in the production and servicing of computer equipment of such a method as the logic bomb. In the estimation of one businessman who owns in the United States and France several companies manufacturing computer programs, "a



minimum of three-fourths of computer programs in 1984 were sold with specially inserted 'bugs'." On a particular signal the logic bombs begin to introduce confusion in the work of the computers. Inasmuch as the information-computing centers of the whole world are gradually being unified in a single system, the methods of activating "bugs" designed to put a specific computer or center out of action are becoming increasingly numerous. This practice has become customary in relations with clients whose solvency is dubious, particularly from Latin America.

Whereas sales and industrial companies embarked comparatively recently on waging computer warfare, the corporations manufacturing arms and the consumers of their products have accumulated considerable experience here. Compared with the developments of the military-industrial complexes, the achievements of the civilian sector in this sphere are as primitive as, say, the "telephone" made of wires and two jars alongside a modern visual display.

When it is a question of R. Reagan's notorious "strategic defense initiative," it is associated in the minds of many people primarily with the creation of nuclear-pumped lasers and beam and other types of exotic weapons. This aspect of the plan for the militarization of space conceals another aspect which is no less important for its realization. In order to cater for the functioning of a space-based arms system consisting of thousands of components the creation of super-high-speed computers and a most complex control program is required. That is, as M.S. Gorbachev emphasized, "a situation would be created where fundamentally important decisions, irreversible in their possible consequences, would be made essentially by electronic machines, without the participation of human intelligence and political will and without regard for the criteria of ethics and morality. Such a development of events could lead to a general catastrophe--even if its primordial impulse is an error, a miscalculation and technical breakdown of extremely complex computer systems."

According to specialists' estimates, a program catering for the operation of the computer system being developed within the SDI framework would consist at a minimum of 10 million and possibly a far greater number of commands (some experts put the number at 100 million). For comparison we will cite another example. Catering for the launching and flight of craft of the Shuttle type requires approximately 3 million commands of the computers (both on-board and those controlling the launch and tracking the flight from Houston). The Shuttle program was developed over the course of many years, and all elements of the system were tested on earth many times over. Nonetheless, defects in the program were constantly being discovered in the course of the launches and flights of the space shuttles. And the tragic end of the Challenger, which was stuffed to the limit with electronics, pointed to one further danger. "Let us imagine," R. Bowman, director of the Space and Security Institute, says, "that the spacecraft had exploded in orbit under conditions where arms systems had been deployed in space. Who could have made out whether such an explosion was the result of a malfunction of the craft's systems or whether it had been destroyed by an antisatellite weapon? Actually no one could have inasmuch as the explosion would instantly have triggered the computers controlling the space-deployed arms systems."

At a seminar on space-based weapons (with the participation of Gen J. Abrahamson, leader of the SDI program, R. Cooper, director of the Defense Department's Long-Term Planning Research Agency, and G. Keyworth, who at that time held the position of the U.S. President's scientific adviser, and also a number of members of Congress) those present were shocked by the fact ascertained in the course of the discussion that a space-based arms system would have to react in a matter of seconds and that this essentially ruled out White House intervention in the decision-making process. This "discovery" elicited a grim joke from Sen P. Tsongas, who suggested at subsequent elections the election as president of the United States the computer of the system controlling the country's armed forces. "At least it would always be on alert," Tsongas added.

"Surely someone notified the President that he had been removed from the decision-making process?" a participant in the seminar asked.

"But not I!" Reagan's scientific adviser, G. Keyworth, responded with computer speed....

"We are capable of technology which will prevent the President making any mistake!" R. Cooper declared.\*

All this might seem like a story, albeit a cheerless one. But unfortunately the situation which has been described could perfectly easily become a reality with all the ensuing consequences. Is the U.S. President aware that, having given the go-ahead for the uncoiling of the "star wars" program, he will in time in fact be deprived of the prerogatives of commander in chief? And another project of the U.S. military department, which, as distinct from the "strategic defense initiative" is as yet little known to the public at large, is completing its business. But it is no less pretentious and, what is most important, dangerous.

I refer to the program being developed by the Pentagon's Long-Term Research Planning Agency codenamed "Strategic Computer Initiative". It envisages the creation of a new (fifth) generation of computers with the capability of "thinking," that is, collating at first sight unconnected facts and making decisions the way man does. Some \$600 million has been allocated research in this sphere in the first 5 years.

McDonnell-Douglas is already working to a Pentagon order on a computer system which will scan waves emanating from a pilot's brain, monitor his pulse, cardiac muscle contractions and other vitally important functions of his organism and determine on the basis of this the pilot's fitness for combat, issuing him with just as much information as he is capable of taking in at a given moment.

Even greater possibilities, Pentagon specialists calculate, will be afforded by the use of supercomputers in the data collection and processing system (in accordance with the triple function, the military calls them the "three C's--command, control, communications). In their present form these systems suffer from a number of innate flaws: first, they are exceptionally vulnerable to the impact of electronic impulses; second, in regularly "detecting" decoy attacks

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\* See LE MONDE DIPLOMATIQUE, September 1985, pp 20-21.

they have repeatedly led to the declaration of a combat alert. The cause of the latter may have been both a defect in an electronic component, imperfection of the software and incorrect interpretation of a natural phenomenon (the flight of a flock of wild geese was once taken to be a "Soviet missile attack") and operator error activating an immediate system response. And how, then, to check the computers? Considering the speed required for such a check, this will again be done by computers. Man in this situation essentially becomes an appendage of a machine.

The report prepared for the U.S. Army, "Air-Land Battle 2000" notes two trends which, the authors of the document emphasize, must be taken into consideration when planning policy in the military sphere. First, "it is necessary to be prepared for the fact that the battlefield of the 21st century will abound in complex battle systems whose range and lethal and operating properties will be superior to anything known today." Second, "despite the growth of the country's overall population, the draft-age group is declining."

Pentagon strategists see a way out of the situation in, inter alia, the creation of whole armies of "tin soldiers"--robots with remote control. "Computer-based robots could help solve certain problems of the manpower shortage which the navy will possibly encounter in the future," is the opinion of T. McKnight, a robotics specialist from the navy's Surface Ships Center.

The "Strategic Information Science" plan being developed within the framework of the "Strategic Computer Initiative" program is aimed at the achievement of even more ambitious goals. Thus the army is to obtain a new class of means of movement capable of changing position in hostile surroundings thanks to autonomy and the use of artificial intelligence. For the navy the Long-Term Planning Agency intends developing a computer "strategist" which on the basis of data received from radar and artificial earth satellites will help commanders fight a battle at sea with the participation of a carrier group and dozens of surface ships and submarines. This battle-control system is to be capable of taking into consideration unchecked data, predicting the probable development of events and also elaborating operational strategy based on past experience, that is, adopting logical decisions.

An impressive picture, is it not? Whole armies of computer-operated "tin soldiers" led by an experienced commander.... But who will lead the commander? Surely not another computer?

Yes, so it is. The same Long-Term Planning Agency is openly urging the mass introduction of artificial intelligence for military decision-making and suggests the extension of this process to strategic nuclear missile control. The authors of the "Strategic Information Science" plan defend the viewpoint according to which expert computer systems could replace people practically completely at a time of decision-making in critical situations.

R. (Dzagoyan), a graduate of the Paris Pedagogical Institute, who worked for some time at the Applied Research Center in Wharton (United States), wrote the bestselling political-fantasy novel "The 'Aristotle' System". It describes how two hostile powers in order to avoid any precipitate actions agreed ultimately to rely on the decisions of their own computer systems, about which they agreed to notify one another.



In an interview with the Paris weekly PARIS-MATCH (Dzagoyan) commented on the said situation thus: "This is a logical culmination of the process of the transfer of human authority to a computer. As of a certain moment, the sole solution will be to link up absolutely rational representatives of the two countries, in other words, two computers. When two forces confront one another, the advantage could depend on the speed and accuracy of the persons making the decisions. It is this factor of man's participation which is in time doomed to disappear. But in disappearing in one camp, it must for the preservation of balance be diminished in the other also--until each adversary has forfeited his right of decision. Why not then imagine, for example, a central computer located in, say, Switzerland performing the role of arbiter. Thus computers, which are to compensate to an increasingly large extent, in the event of a conflict, for human imperfections, would be entrusted with a mission of peace."

What a touching scenario of the computer-based arms race automatically leading... to general peace. If one thinks about it, this pro-computer position is not only utopian but also profoundly amoral inasmuch as responsibility for a possible nuclear conflict and essentially for the fate of mankind is removed from actual people and entrusted to anonymous computer programs. "How to dispel the impression that a fantastic technico-political mechanism is with every succeeding day pulling us increasingly strongly into a game whose rules, aims and, primarily, outcome no one, it seems, any longer knows?" asks J.-P. Petit, a leader of the French National Research Center and deputy director of the Aix-Marseille University Computer Center.

And the rules of the "game" whose outcome Petit wishes to know are becoming increasingly intricate. Here is one further example.

They sometimes get together in small groups, but more often spend long hours in front of home computers alone. Very rapidly one number after another is dialed on the telephone. This is done until the characteristic tone suddenly cannot be heard in the earpiece. It means that at the other end of the line someone else's computer has responded. It is now necessary to connect the telephone to the receiver of one's own computer, and communications are established. If subsequently the code is divined, it is possible to get inside someone else's information system. These are hackers. This is what the West calls computer hooligans and people possessed by "computer disease," for whom penetrating others' information systems is entertainment. Hackers form their own clubs (like the Hamburg Chaos Computer Club), disseminate bulletins and exchange information via electronic "mailboxes".

Of course, the activity of hackers concerns mainly the country where they live. But inasmuch as the computers of many states are now connected in vast computer networks the problem ceases to be purely internal. Thought has to be given to the fact that in principle an unauthorized linkup with the computers of military departments is only slightly more complicated than the escapades of the present-day "bank robbers".

Back in 1973 an amateur was able to penetrate the U.S. Defense Department's ARPANET computer system. An instance which turned out to be a student joke, it is true, is well known. Having broken into the computer of a West European



military department, students acquired the possibility of elevating people in rank, turning lieutenants into colonels, making appointments to new positions on base salary and so forth. But one has only to become somewhat closer acquainted with the problem to see that it is no joke.

A few years ago the Pentagon announced a competition to whose participants it was proposed that they attempt to decipher the military code, which was considered absolutely uncrackable. One student with a home computer managed this quite quickly. Following the competition, the whole of America became enthused with the game, and a group of adolescents in Milwaukee succeeded even in gaining access to top-secret data. The proceedings of the group, which the American mass media called Club 414, received such extensive publicity that the matter was a subject of hearings in a congressional subcommittee.

The hearings began in a highly intriguing manner--a fragment of the sensational film "War Games" was shown in which a schoolboy nearly caused WWII, having with his home computer linked up with the missile-control computer. The seven members of Club 414 began their "games" several months before the screening of the film, but it was astounding how closely connected invention and reality are. Having viewed the film, the hackers of Club 414 decided to use the name of Joshua, like their colleague in the movie, as the codeword and broke into the computer... of the nuclear center in Los Alamos. It was this highest achievement of Club 414 which led FBI agents to them.

By this time the hackers of Club 414 had built up tremendous experience: they had broken in repeatedly via the TELENET system into computers of various departments and establishments throughout the country and overseas even. TELENET is the big U.S. national communications network uniting the majority of computers, which may be called from the office or the home even by a 5-digit number. The first three are the city code. For example, 213 is Los Angeles, 312 Chicago (incidentally, the name Club 414 came from the Milwaukee code--414). The remaining two digits--the computer code--were selected by the hackers by the trial and error method. It remained to guess merely the codeword, which they successfully did.

But let us return to the room in which the hearings were held. The screen goes dark, and one of the members of Club 414, N. Patrick, a college student, prize winner in academic games and competitions, member of several scientific societies and leagues and the "Robin Hood of the information era," as the magazine NEWSWEEK, which carried a portrait of N. Patrick on its front page--an honor valued highly in the United States\*--called him, appeared before the congressmen. The chairman addressed Patrick:

"Many members of the United States' Congress would like to see themselves on the front page of NEWSWEEK like you...."

"I would be happy to trade places with them," the latter-day Robin Hood immediately responded.

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\*See NEWSWEEK, 5 September 1983, pp 1, 36-41.

Patrick might well in the future have a seat on Capitol Hill. But today, when one hears the speeches and proposals of some congressmen, one involuntarily thinks: it is a good thing there are no winners of computer competitions among them.

Club 414 confined itself to switching into anyone's computer and studying the information contained therein. But what if it had gone further? Incidentally, why conjecture--we do not have to go far for examples. It became known at hearings in another Senate subcommittee that, having broken into the computer of the U.S. Defense Department and having discovered the security classification code, a group of hackers attempted to build into the programs logic bombs which, having once worked, could, as the magazine U.S. NEWS AND WORLD REPORT acknowledges, have triggered the launch of American missiles or the combat use of other weapons.

No security measures can be made absolutely reliable. So-called "tiger teams,"\* specially selected government groups of experts, penetrate from time to time systems which are considered top secret. They always succeed in breaching each newly invented line of defense of the computer systems. According to the LOS ANGELES TIMES, even the Pentagon's global military command and control computer system is not impenetrable.

However, Pentagon experts conclude, its own employees constitute a considerably greater danger than adolescent hackers. Thus one U.S. serviceman systematically disrupted the operation of a military computer. Both powerful computer systems and small single-purpose computer devices installed on missile warheads and even on artillery shells have been activated without authorization. They control tank guns and help guide aircraft and ships. If any of these systems are broken into, there is a possibility of evading the security devices and, having discovered the code, getting at the data contained in the computer's memory and installing a logic bomb. Specialists claim that "bugs" in on-board computers are practically impossible to detect by a conventional check for a minimal change in the information, of several bits, of geographical coordinates, for example, is sufficient. Air Force Colonel R. Shell, one of the United States' top computer security experts, acknowledges the possibility that the computers controlling ballistic weapons could "retarget the missiles".\*\*

Thus where is the guarantee that a combination of several such disturbances caused by the military itself or hackers will not activate nuclear weapon control systems. There not only is none but, on the contrary, with every new such incident the probability of the accidental outbreak of war increases.

Waiting for the 'Electronic Messiah'?

Computer surveillance affords exceptional possibilities in the struggle for political power and logic bombs, control over business partners and "tin soldiers" promise in the long term power over the world. And the hackers--what motivates them? Is it not merely a propensity toward acute sensations? We would

\* Derived from the English "tiger," in the sense here of "powerful adversary".

\*\* See U.S. NEWS AND WORLD REPORT, 31 October 1983, p 37.

recall that they break into military systems accidentally, as a rule. Their aspirations are geared to computers in general. Words were once heard in the U.S. Congress which evidently correctly stumbled upon the root of the problem: "In the real world organizations with computer systems are, according to the general rule, likened to totalitarian, police states. This regrettable reality enrages hackers and kindles in them a desire to challenge the direction in which the development of authority is heading."

The problem of the impact of the computerization process on the distribution of power is moving to the fore in bourgeois political practice. Development trends in this sphere enable us to assume that political power acquired thanks to the concentration of information will be exercised not directly but by way of increased executive authority given a diminution in the real power of "showcase politicians" and elective representatives. The ruling elite which has thus taken shape could become a kind of "meritocracy". But the source of its power would not be some superiority to the rest but merely greater opportunities for using information. In all other respects it would have no special merits.

Enjoying access to computer information, certain circles are participating in the echelon of power or strengthening their role therein. Thus the new term "follow-up polling" has appeared in the political vocabulary of the election committees of the United States' Republican and Democratic parties. What does it signify? The computer buildup of "confidential information" on adversaries and allies, the alignment of forces of the electorate in all 50 states and continuous observation of the fluctuations of the political mood of all strata of society. Both parties' election committees are furnished with the latest computers, with which the strategy of attracting voters is formulated, financial resources are allocated and election variants are modeled. During the last presidential election Mondale's committee had on computer files data on 80 million potential voters. The computer in the Republican Party committee not only gathered information but also tried to influence the electorate directly: connected with the automatic telephone system, it called 25 million subscribers in 28 states, calling on them to vote for Reagan.

The capacity on the one hand for obtaining precise information on each citizen and, on the other, for manipulating masses of people increases to the utmost given the use of computer systems. And one can imagine a state of affairs where the ruling circles will know everything they need to know, and the rest will know nothing. Thus bourgeois society is engendering a new phenomenon, which has colorfully been called the "electronic dictatorship".

But it would be a mistaken oversimplification to suppose that the resistance to the "electronic dictatorship" is headed by hackers--such noble "Robin Hoods" of our time. There are, as usual, two sides to every coin. In order not to give an impression of unfounded exaggeration, let us look once more at the hearings in the U.S. Congress. J. Goodfellow, a leading expert on the hacker problem, is being questioned. "Goodfellow: ...They (certain specialists--Yu.B) believe that in the future they will encounter a kind of electronic messiah, a charismatic figure capable of uniting the discrete forces of the hackers and directing their organized penetration of computer systems."

The chairman: "You mean an electronic messiah as a leader cult?"

Goodfellow: "Yes."

Chairman: "...Who may get the idea of gathering admirers by computer. An Adolf Hitler of the 21st century?"

Goodfellow: "Precisely."

It is no accident that A. Ettinger, head of the Harvard Information Policy Research Center, observed: "The problem with the metaphor concerning Big Brother is that it instills the idea of the existence of some unchecked dictatorial power. Reality is far more subtle."

Yes, more subtle, complex and multilayer. Everything is mixed together in this reality: computer surveillance and logic bombs, computer-operated "tin soldier" armies and hackers, the voter hidden in the computer and the waiting for the electronic messiah. (Dzagoyan's) book "The 'Aristotle' System" contains the idea that computers could reach "critical mass," that is, such a power that they conceive a desire to rid themselves of the power of people, whose logic is not to their liking. But this is only a useful myth which excites the nerves and distracts the attention. In actual fact bourgeois democracy and the "electronic dictatorship" are a model marriage of convenience. With the utmost precision it is calculated for computers. And the computers are the convenience.

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#### BOOK ON CEMA-THIRD WORLD ECONOMIC TIES IN 1980'S REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86  
(signed to press 13 May 86) pp 136-138

[I. Yegorov review: "Salutory Cooperation"]

[Text] The book in question,\* which was prepared by an international group of scholars of the socialist countries, is the logical continuation of the study published in 1980 "Cooperation of the Socialist and Developing Countries: New Type of International Economic Relations". The appearance of a new work on such an important and pertinent subject is perfectly natural inasmuch as by the mid-1980's the world economic situation as a whole had become seriously complicated as a result of a series of profound crisis upheavals in the world capitalist economy.

The problems of the development of the foreign economic ties of various groups of states and, consequently, of the worldwide economy as a whole appear in a largely new form today. An important direction of the progressive changes in the structure thereof is connected with the consolidation of the interaction of the socialist and developing countries. The authors of the monograph have succeeded in analyzing the new phenomena in the economic cooperation of the two groups of states, distinguishing the directions and forms corresponding to the greatest extent to the conditions of the present decade and also outlining the possible paths of the solution of existing problems.

The work consists of two sections. The first illustrates general questions of cooperation, the second, the state and prospects of the relations of each European CEMA country and Cuba and the emergent states. The successful combination of the problem-solving and area-study approaches has afforded an opportunity for painting a three-dimensional, multirange picture from key questions of our time and the processes of the international division of labor through consideration of the specific interests of individual states.

We would note immediately that the problems which are analyzed are presented against a broad economic and political background. One reads with interest

\* "Strany SEV i razvivayushchiyesya gosudarstva: 80-e gody" [The CEMA Countries and the Developing States: the 1980's], Moscow, Glavnaya redaktsiya vostochnoy literatury izdatelstva "Nauka", 1985, pp 248.

Chapter 1, which is devoted to global problems of the present day and development concepts. The next chapter (being somewhat of a descriptive nature, it is true) examines the foreign policy relations of the socialist and developing countries, on the state of which their economic ties largely depend.

Chapters 3-8 constitute the nucleus of the first section. Taking study of long-term trends as the basis, the authors conclude that a new division of labor based on the complementariness of their economic structures is taking shape between the two groups of states (pp 44-48). However, what is needed today, as follows from the analysis, is movement toward a new level thereof. The socialist countries' specialization in supplies of basically industrial equipment and finished products, and the developing countries in raw material and food commodities which took shape earlier is now no longer sufficient. As the CEMA countries switch to an intensive development path on the one hand and the emergent countries to industrialization on the other, both the import requirements and export possibilities of the partners are changing considerably. Under the new conditions the complementariness of the economic structures should be ensured thanks to the fuller use of the industrial potential of the two groups of countries, which requires the development of various forms of joint-labor ties (pp 45-47).

The work pays great attention to questions of an upgrading of the mechanism of cooperation of the socialist and young independent states in connection with the changes in the nature and strategy of development of the latter. By virtue of political, economic and social factors, the most expedient for the majority of them is a balanced development strategy within whose framework the use of internal resources and the possibilities of intra- and interregional cooperation is organically combined with the maintenance of relations with other groups of states. Realization of this strategy requires the creation not of individual modern enterprises producing predominantly export products but intersectoral territorial-production complexes. The customary TNC practice of a narrow sectoral approach enshrines, as a rule, the fracture of the developing economy into traditional and modern sectors, simultaneously increasing its dependence on the conditions of the world capitalist market and Western technological developments. The comprehensive approach to cooperation, however, and assistance in the creation of intersectoral complexes based on internal requirements and resources characteristic of the socialist countries afford, on the contrary, an opportunity for "the creation of a dependable material base of economic independence and social progress" (p 97).

The book notes the importance of the use of multilateral cooperation of the developing countries, particularly of a socialist orientation, with CEMA. Representatives of Angola, Afghanistan, the PDRY, Mozambique and Ethiopia participate in CEMA meetings as observers; a cooperation agreement has been concluded with Nicaragua. The work draws the conclusion as to the possibility of an extension of the practice of the mutual relations of the international economic organizations of the socialist countries with certain developing states, as far as the latter's full participation in such associations (p 105).

A particular place in the system of the socialist community's foreign economic relations is occupied by the states of a socialist orientation. The all-around assistance on the part of the CEMA countries is playing an important part in their progress along the path of progressive transformations. Great significance

is attached, in particular, to cooperation in the sphere of planning as an effective means of mobilization of resources for the accomplishment of strategic development tasks. The extension of the division of labor between the socialist community and the countries of a socialist orientation may be considered, the work observes, a transitional phase en route to the incorporation of this group of states in the international socialist division of labor (p 52).

It is for the first time in national economic literature essentially that cooperation with the least developed countries, to which great attention is paid in the activity of the UN system, has been examined so thoroughly. The priority spheres of such mutual relations are analyzed by proceeding from the strategy of their development and the requirements of the socialist community: agriculture and sea fishing, geological prospecting and mining industry, construction of enterprises of the manufacturing sectors, assistance in scientific research, the training of personnel and health care (pp 84-85).

A separate chapter is devoted to the S&T sphere. The particular features of the socialist states' approach to questions of technology transfer and the current and prospective forms of mutually profitable cooperation in this sphere are described here, in particular. The section concludes with a study of questions of the joint struggle for a reorganization of international economic relations and the new trends and phenomena in the movement for a NIEO.

The chapters of the second section, which have been written at a high professional level by authors from the fraternal countries, provide a sufficiently full idea of the specific features of individual CEMA states' relations with the developing partners. The material devoted to the corresponding practice of Hungary, Cuba and Poland is, in particular, of considerable interests. The authors thoroughly analyze the problems and difficulties standing in the way of an extension of relations with the developing countries and closely link questions of cooperation with the singularities of these socialist states' internal economic development.

The monograph is not without certain shortcomings. Thus the chapter on the USSR's relations with the developing countries examines only questions of economic and technical assistance, but problems of foreign trade remain on the sidelines. As a result the reader does not get a full picture of the state of an important area of the Soviet Union's economic ties. Nor is the absence in the work of a concluding section summing up the results of the study entirely understandable. Certain inaccuracies of an editing nature are encountered also (thus Ethiopia is put among the states recently liberated from the colonial yoke; p 168).

The said minuses do not influence the overall positive impression of a book devoted to an important field of international economic relations.

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## BOOK ON U.S. ECONOMY'S SERVICE SECTOR REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 86  
(signed to press 13 May 86) pp 146-147

[I. Rudakova review: "Major Sector of the Capitalist Economy"]

[Text] Appreciable changes have occurred in recent years in the capitalist countries' social production structure. One of the most significant is the preferential development of services and the conversion of this sphere into a major sector of the present-day economy. At the start of the 1980's from one-half to two-thirds of the total numbers of those employed in the developed capitalist countries were working in sectors related to it, including transport and communications, and their share of the gross social product was close to one-half or more.

The most important aspects of this shift are illustrated in the monograph in question.\* It has been prepared by a group of associates of the USSR Academy of Sciences Institute of World Economy and International Relations on the basis of material of the United States, which is the capitalist world leader in terms of the main indicators of this sphere.

The work is a thorough, multilevel study: objective factors of the preferential growth of services are analyzed in unity with its contradictory forms caused by the antagonistic nature of production relations; the technical-economic and management trends are studied together with social trends; and the regularities of the development of the service sphere, as also its specifics, are revealed in comparison with material production. The book's relatively extensive timeframe--most important processes are traced over the past 30 years--enable the authors to determine precisely the main trends and directions of the structural changes. The main attention is paid to the processes which have developed in the past decade.

Relying on a wealth of statistical and factual material, the authors substantiate a number of theoretical propositions concerning the regularities of development

\* "Sfera uslug v SShA: novyye yavleniya i strukturnyye sdvigi" [Services in the United States: New Phenomena and Structural Changes]. Exec. eds. V.M. Usoskin, doctor of economic sciences, L.S. Demidova, candidate of economic sciences, Moscow, izdatelstvo "Nauka", 1985, p 303.



of the given group of sectors. As the study shows, service is organically built into the general economic complex and interacts most closely within it with the material production sectors, being a most important condition of the continued progress of the productive forces.

The analysis of the real process of reproduction of the social product in the current period affords the World Economy and International Relations Institute specialists grounds for the conclusion concerning the indivisibility and inter-conditionality of production of the material product and services at every level of the economic structure and, consequently, concerning the socioeconomic significance of the expenditures of labor on services. Simultaneously the bourgeois theoretical constructions concerning the conversion of the sphere in question into the leading sector of the economy and the growth of capitalism into a "service society" are cogently refuted. The monograph shows convincingly that the economy is developing in the direction of the deeper integration and interpenetration of material production and service and the active exchange of their results.

The organic incorporation of the service sphere in the general process of social reproduction has caused its susceptibility to crises together with material production. An appreciable slowing of the growth rate and an increase in unemployment in many sectors traditionally thought to be "crisis-proof" have been observed in the course of the crises of the 1970's-1980's.

Studying the causes of the preferential expansion of the service sphere, the authors emphasize the increase in the national economic role of the latter. As a whole it amounts to a qualitative upgrading of the objective and subjective factors of the productive forces and the entire system of economic ties and relations. Particular significance in this plane is attached to the services providing for the accumulation of nonphysical forms of social wealth--the spheres of research, education and health care, which have developed at the highest rate in the recent period.

As the work shows, expansion of the service sphere under capitalism is dictated not only by the objective requirements of the development of the productive forces. The interests of self-growth and the realization of capital value, the endeavor of the ruling class to preserve and strengthen its positions and the anarchy of production and competition inherent in capitalism deform the structure of service in relation to the actual social requirement. Big resources of social labor are diverted from productive purposes and are used for the parasitic consumption of the ruling class.

The book investigates in detail the conversion of services into a profitable sphere of capital investment. There has been a considerable "erosion" here in the postwar period of the small independent firms and a rapid concentration of capital. Its transfer from the material production sectors in the hope of higher profits has served as nutrient grounds for a strengthening of the positions of the monopoly giants not only in the banking sphere but also in commerce, the hotel business, recreational services, medical services and so forth, which is adding appreciably to the general picture of monopolization of the U.S. economy. This process proves that the socioeconomic structure of the service sphere is evolving, despite a number of specific features, in the same direction and in the same basic forms as in material production; it also is becoming an arena of bitter clashes of labor and capital.

The monograph pays particular attention to S&T progress, whose contradictory impact on services has grown considerably in recent years. The rise in the level of manpower qualifications, radical changes in the production machinery, the industrialization of a whole number of services, complication of the sectoral structure and so forth are connected with this. At the same time S&T progress is increasing the differentiation of labor resources: counterposed to the workmen with high qualifications is a vast army of comparatively unskilled working people. Including the partially employed, women and adolescents, this stratum represents the most exploited and unequal part of the working class--to a considerable extent owing to the insufficient development of the trade union movement.

Evaluating the impact of S&T progress on the sphere in question, the authors believe that the resource-saving effect of innovations is manifested less distinctly here than in material production. This is a most important cause of the comparatively slow growth of labor productivity and the continuing rapid increase in the numbers of employed persons. Despite the acceleration of S&T progress, services in the United States are developing predominantly thanks to extensive factors. The contribution of intensive factors, on the other hand, although growing, as the calculations show, is considerably less here than in manufacturing industry, for example.

The work shows convincingly the contradictory nature of the development of the system of services under capitalism and the consequences of its subordination to the interests of state-monopoly capital, which are negative for social progress. A most important cause of the increased price of services has been monopolization, which has contributed to an intensification of the inflation process.

The consumption of services in the United States is characterized by sharp social contrasts. The essential cutback in social programs which has been undertaken in recent years by the R. Reagan administration is barring access to health care and education to the needy strata of the population, increasing the already huge gap in the levels of consumption and the quality of services between the highest and lowest income categories of the population.

The information and conclusions concerning the development of the service sphere in the United States could be of certain practical interest to economists and business organizations. The comprehensive material pertaining to the size of enterprises, forms of the integration of small and large-scale production, the specific features of the use of labor resources, particularly the practice of part-time work, the evaluation of efficiency and the specific ways of increasing it, forms of S&T progress, new types of service and so forth adduced in the book calls attention to itself.

In conclusion a few observations. The development trends of the sphere in question could have been revealed more fully had the authors paid more attention (in the sectoral section) to business services which have become widespread in recent years--consulting (in the sphere of management and marketing), leasing (from durables to industrial equipment, machine times and others) and so forth. The analysis of various indicators of the service sphere is made by the authors mainly in comparison with manufacturing industry, although comparison with material production as a whole would have been more indicative.

The monograph in question contributes to the development of both economic questions of the service sphere and problems of capitalist reproduction as a whole. It will be of interest not only to specialists but a broader readership also.

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